

**INDEPENDENT AUDITOR'S REPORT**

**To The Members of HPCL-Mittal Energy Limited  
Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of HPCL-Mittal Energy Limited ("the Parent") and its subsidiary (the Parent and its subsidiary together referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2019, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information and which includes a joint operation consolidated on a proportionate basis with the parent.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

**Basis for Opinion**

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

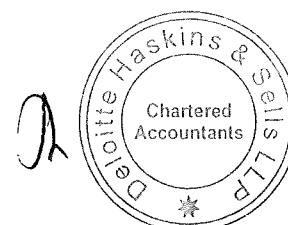
**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to



be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	<p><b>Settlement of deferred central sales tax liabilities (Refer Note 2(g) and 29 to the consolidated financial statements):</b></p> <p>As per its entitlement, the Group has been adjusting the interest free loan (IFL) with net present value of deferred central sales tax (CST) liabilities, which is computed by applying judgements in relation to the discounting rate applied and the basis of computation of net present value of CST and hence it is considered as a key audit matter.</p>	<p><b>Principal audit procedures performed:</b></p> <ul style="list-style-type: none"> <li>• reviewed the relevant terms of the Deed of Assurance (DoA) and the legal advice obtained by the Group;</li> <li>• assessed the competence, capability and objectivity of the management's expert (legal adviser);</li> <li>• verified the basis and mathematical accuracy of the computation of the net present value of the CST liability based on the terms of the DoA and the legal advice; and</li> <li>• reviewed the correspondence with relevant departments and assessed the implications, if any on the computation of the liability.</li> </ul> <p>As a result of our work performed as described above, we concluded that the judgements applied by the management in relation to the discounting rate and the basis of computation of net present value of CST are reasonable.</p>
2	<p><b>Recognition of deferred tax assets (Refer Note 2(g) and 6.4 to the consolidated financial statements):</b></p> <p>The Group has recognised net deferred tax assets (DTA) on carried forward tax losses, unabsorbed depreciation and is carrying minimum alternate tax (MAT) assets on the basis of estimated future profits and its timing against which tax deductions represented by the DTAs can be offset. The assessment of the likelihood of future taxable profits being available and the length of the forecast period also require significant management judgment and hence it is considered as a key audit matter.</p>	<p><b>Principal audit procedures performed:</b></p> <ul style="list-style-type: none"> <li>• evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the current tax and deferred tax computations;</li> <li>• assessed the reasonability and consistency of the assumptions considered by the management in preparation of the underlying projections and the reliability of the process by which the estimates were calculated, by assessing the reasons for differences between projected and actual performances;</li> <li>• verified that the applicable tax rates taken into account and assessed the duration of the carry forward tax losses; and</li> <li>• the schedules for the reversal of temporary differences and therefore the opportunities for offsetting deferred tax liabilities.</li> </ul>



Sr. No.	Key Audit Matter	Auditor's Response
		As a result of our work performed as described above, we concluded that the estimation used by the management is reasonable.
3	<p><b>Uncertain tax position (Indirect taxes) (Refer Note 33 (a)(5) and 33(a)(6) to the consolidated financial statements):</b></p> <p>The Group has material uncertain tax positions (Indirect taxes) including matters under dispute which involves significant judgments to determine the possible outcome of these disputes and hence it is considered as a key audit matter.</p>	<p><b>Principal audit procedure performed:</b></p> <ul style="list-style-type: none"> <li>• evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the tax litigation matters;</li> <li>• obtained confirmations from management's experts of the Group for the possible outcome of the outstanding cases relating to indirect tax;</li> <li>• assessed the competency, objectivity and capability of the management's experts involved; and</li> <li>• involved our internal indirect tax specialists to challenge the underlying assumptions in estimating the possible outcome of the disputes. Our internal indirect tax specialists also considered the legal precedence and other rulings in evaluating management's position on these uncertain tax positions.</li> </ul> <p>As a result of our work performed as described above, we concluded that the judgements applied by the management are reasonable.</p>

**Information Other than the Financial Statements and Auditor's Report Thereon**

The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.



### **Management's Responsibility for the Consolidated Financial Statements**

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate or cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

### **Auditor's Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and its subsidiary included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Other Matter**

We did not audit the total liabilities amounting to INR 228 million as at March 31, 2019 and exploration costs written off of INR 11 million for the year ended March 31, 2019 included in these consolidated financial statements in respect to the past joint operation not operated by the Group. These unaudited account balances have been compiled and certified by the management based on the unaudited information provided by the operators and have not been subjected to audit by independent auditors. Our opinion on the consolidated financial statements, in so far as it relates to the amounts included in respect of this past joint operation, is based solely on such unaudited account balances. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information are not material to the Group.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
  - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Parent and its subsidiary as on March 31, 2019 taken on record by the Board of Directors of the Parent and its subsidiary, none of the directors of the Group, is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent and its subsidiary. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.



- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
  - ii) The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent and its subsidiary.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)



*Jitendra Agarwal*

**Jitendra Agarwal**  
Partner  
(Membership No.87104)

Place: New Delhi  
Date: 02 May 2019

**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT  
(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated financial statements of the Parent as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of the Parent and its subsidiary which is incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

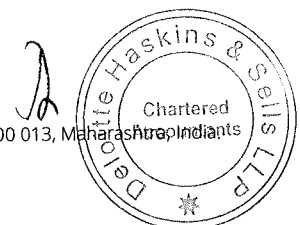
The respective Board of Directors of the Parent and its subsidiary, which is incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary, which is incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent and its subsidiary, which is incorporated in India.





### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion to the best of our information and according to the explanations given to us the Parent and its subsidiary, which is incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note.

For **Deloitte Haskins & Sells LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W- 100018)



*Jitendra Agarwal*

**Jitendra Agarwal**  
Partner  
(Membership No. 87104)

Place: New Delhi  
Date: 02 May 2019

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2019	31 March 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3.1	230,359	231,081
Capital work in progress	3.2	68,321	16,987
Intangible assets	4	223	140
<b>Financial assets</b>			
Loans	5.2	311	215
Other bank balances	5.3	-	27
Other financial assets	5.7	1,347	814
Deferred tax assets (net)	6.1	9,338	9,394
Tax assets (net)	7	935	1,019
Other non-current assets	8	8,083	2,723
		<b>318,917</b>	<b>262,400</b>
<b>Current assets</b>			
Inventories	9	67,766	65,976
<b>Financial assets</b>			
Investments	5.4	1,817	-
Trade receivables	5.5	25,651	20,430
Cash and cash equivalents	5.6	1,476	67
Other bank balances	5.3	45	400
Loans	5.2	-	2
Other financial assets	5.7	452	142
Other current assets	8	1,567	1,569
		<b>98,774</b>	<b>88,586</b>
<b>TOTAL ASSETS</b>		<b>417,691</b>	<b>350,986</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	10	80,411	80,411
Other equity		25,087	11,684
		<b>105,498</b>	<b>92,095</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	11.1	211,722	164,842
Other financial liabilities	11.5	1,300	1
Provisions	12	1,180	1,060
Deferred tax liabilities (net)	6.2	2,023	1,656
Other non-current liabilities	13	3,486	3,065
		<b>219,711</b>	<b>170,624</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	11.2	18,611	22,521
Trade payables	11.4		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		60,309	49,988
Other financial liabilities	11.5	8,409	9,896
Other current liabilities	13	4,066	4,083
Provisions	12	337	1,779
Current tax liabilities (net)	14	750	-
		<b>92,482</b>	<b>88,267</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>417,691</b>	<b>350,986</b>

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Jitendra Agarwal  
Partner



For and on behalf of the Board of Directors of  
HPCL-Mittal Energy Limited

Rajan Tandon  
Director  
DIN 01968916

R. Kesavan  
Director  
DIN 08202118

Prabh Das  
Managing Director &  
Chief Executive Officer  
DIN 00164799

Place: New Delhi

Place: New Delhi

Place: London

Harak Banthia  
Chief Financial Officer

Sidhartha Tyagi  
Company Secretary  
Membership No. A 14544

Place: New Delhi  
Date: 2 May 2019

Place: New Delhi



Place: New Delhi  
Date: 2 May 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2019	31 March 2018
<b>Income</b>			
Revenue from operations	15	623,780	399,431
Other income	16	7,655	7,577
<b>Total Income</b>		<b>631,435</b>	<b>407,008</b>
<b>Expenses</b>			
Cost of raw materials consumed	17	416,140	226,347
(Increase)/decrease in inventories	18	(3,024)	5,465
Excise duty on sale of goods		151,501	121,423
Employee benefits expense	19	3,217	2,725
Finance costs	22	13,399	11,527
Depreciation and amortisation expense	21	12,110	11,429
Other expenses	20	18,840	6,197
Exploration costs written off		11	45
<b>Total expenses</b>		<b>612,194</b>	<b>385,158</b>
<b>Profit before tax</b>		<b>19,241</b>	<b>21,850</b>
<b>Tax expense</b>			
Current tax (Minimum alternate tax)		4,110	4,638
Deferred tax charge		449	918
<b>Total tax expense</b>	6	<b>4,559</b>	<b>5,556</b>
<b>Profit for the year</b>		<b>14,682</b>	<b>16,294</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income not to be reclassified to profit/(loss) in subsequent years:</b>			
Re-measurement losses on defined benefit obligations		(75)	(4)
Income tax impact	6	26	-
<b>Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years</b>		<b>(49)</b>	<b>(4)</b>
<b>Total comprehensive income for the year</b>		<b>14,633</b>	<b>16,290</b>
<b>Earnings per equity share in INR computed on the basis of profit for the year</b>			
Basic		1.83	2.03
Diluted		1.83	2.03

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

Jitendra Agarwal  
Partner



Place: New Delhi  
Date: 2 May 2019

For and on behalf of the Board of Directors of  
HPCL-Mittal Energy Limited

Rajan Tandon  
Director  
DIN 01968916

R. Kesavan  
Director  
DIN 08202118

Prabh Das  
Managing Director &  
Chief Executive Officer  
DIN 00164799

Place: New Delhi

Place: New Delhi

Place: London

Harak Banthia  
Chief Financial Officer

Sidhartha Tyagi  
Company Secretary  
Membership No. A 14544

Place: New Delhi  
Date: 2 May 2019

Place: New Delhi



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

(a) Equity share capital

	No. million	INR million
As at 31 March 2017	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2018	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2019	8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debenture Redemption Reserve	Total
As at 31 March 2017	(4,606)	-	(4,606)
Profit for the year	16,294	-	16,294
Other comprehensive income for the year - Remeasurement of defined benefit liability (net of tax)	(4)	-	(4)
Transfer from retained earnings (note 30)	(3,865)	3,865	-
As at 31 March 2018	7,819	3,865	11,684
Profit for the year	14,682	-	14,682
Other comprehensive income for the year - Remeasurement of defined benefit liability (net of tax)	(49)	-	(49)
Transfer from retained earnings (note 30)	(314)	314	-
Final Dividend paid for financial year 2017-18	(1,020)	-	(1,020)
Dividend distribution tax on above	(210)	-	(210)
As at 31 March 2019	20,908	4,179	25,087

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached



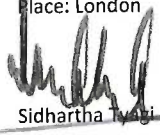
For Deloitte Haskins & Sells LLP  
Chartered Accountants

  
Jitendra Agarwal  
Partner



Place: New Delhi  
Date: 2 May 2019

For and on behalf of the Board of Directors of  
HPCL-Mittal Energy Limited

 Rajan Tandon Director DIN 01968916	 R. Kesavan Director DIN 08202118	 Prabh Das Managing Director & Chief Executive Officer DIN 00164799
Place: New Delhi	Place: New Delhi	Place: London
 Harak Banthia Chief Financial Officer		 Sidhartha Company Secretary Membership No. A 14544

Place: New Delhi  
Date: 2 May 2019



Place: New Delhi

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019  
(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2019	31 March 2018
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax		19,241	21,850
<b>Adjustments for:</b>			
Unrealized foreign exchange loss/(gain) (net)		(211)	220
Unrealised loss/(gain) on currency derivative contracts (net)		(18)	(641)
Unrealized loss/(gain) on commodity derivative contracts (net)		(145)	251
Finance costs		9,659	10,167
Depreciation and amortisation expense		12,110	11,429
Exploration costs written off		11	45
Interest Income		(55)	(78)
Provision no longer required written back		-	(15)
Gain on sale of current investments (net)		(94)	(107)
Exchange difference to the extent considered as an adjustment to borrowing cost		3,469	1,147
Loss on discard of property plant and equipment		185	558
Liability towards vendors no longer required written back		(10)	(1,423)
<b>Operating profit before working capital changes</b>		<b>44,142</b>	<b>43,403</b>
<b>Movements in working capital:</b>			
(Increase)/decrease in inventories		(1,788)	(7,050)
(Increase)/decrease in trade receivables		(5,219)	(6,894)
(Increase)/decrease in loans		(94)	(36)
(Increase)/decrease in other financial assets		(720)	(471)
(Increase)/decrease in other assets		4,208	1,552
Increase/(decrease) in trade payables		11,205	15,294
Increase/(decrease) in other financial liabilities		281	579
Increase/(decrease) in provisions		(58)	35
Increase/(decrease) in other liabilities		(4,283)	(1,393)
<b>Cash generated from operations</b>		<b>47,674</b>	<b>45,019</b>
Direct tax paid (net of refund)		(3,371)	(5,996)
<b>Net cash generated from operating activities (A)</b>		<b>44,303</b>	<b>39,023</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment (including capital work in progress and capital advances)		(60,298)	(27,078)
Payments for exploration activities		(8)	-
Proceeds from short term mutual funds		349,744	423,970
Investment in short term mutual funds		(351,467)	(423,864)
Investment in fixed deposits		(61)	(450)
Proceeds from maturity of fixed deposits		444	947
Interest received		55	99
<b>Net cash used in Investing activities (B)</b>		<b>(61,591)</b>	<b>(26,376)</b>



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019  
(All amounts are in million Indian Rupees, unless otherwise stated)

Particulars	Notes	31 March 2019	31 March 2018
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from non-current borrowings	11.3	79,764	50,686
Repayment of non-current borrowings	11.3	(42,128)	(54,886)
Proceeds from current borrowings	11.3	312,466	256,552
Repayment of current borrowings	11.3	(316,222)	(254,557)
Dividend paid (including dividend distribution tax)		(1,230)	
Borrowing costs paid			
- Interest		(11,961)	(9,651)
- Others		(1,992)	(1,450)
Net cash used in financing activities (C)		<u>18,697</u>	<u>(13,306)</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		1,409	(659)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		67	726
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u>1,476</u>	<u>67</u>

**Notes:**

- (i) The consolidated statement cash flows has been prepared under the indirect method as set out in Ind AS 7 Statement of cash flows.  
(ii) Components of cash and cash equivalents included under cash and cash equivalents (note 5.6) are as under :

Balances with scheduled banks			
-On current accounts		171	67
-Deposits with original maturity of upto 3 months		1,305	-
Cash and cash equivalents (note 5.6)		<u>1,476</u>	<u>67</u>

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP  
Chartered Accountants

  
Jitendra Agarwal  
Partner



For and on behalf of the Board of Directors of  
HPCL-Mittal Energy Limited

  
Rajan Tandon  
Director  
DIN 01968916

  
R. Kesavan  
Director  
DIN 08202118

  
Prabh Das  
Managing Director &  
Chief Executive Officer  
DIN 00164799

Place: New Delhi  
  
Harak Banthla  
Chief Financial Officer

Place: New Delhi

Place: London  
  
Sidhartha Tyagi  
Company Secretary  
Membership No. A 14544

Place: New Delhi  
Date: 2 May 2019

Place: New Delhi  
Date: 2 May 2019



Place: New Delhi

## HPCL-MITTAL ENERGY LIMITED

### NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

#### 1. Corporate Information

HPCL-Mittal Energy Limited ('HMEL' or 'the Company') was incorporated in the year 2000 as a wholly owned subsidiary of Hindustan Petroleum Corporation Limited ('HPCL'), a Government Company. Subsequently, the Company, pursuant to a joint venture agreement entered into between HPCL and Mittal Energy Investments Pte. Limited, Singapore (a wholly owned subsidiary of Mittal Investments S.a.r.l, Luxembourg) ('Mittal Energy') became a joint venture Company with equal equity participation by HPCL and Mittal Energy. The Company is domiciled in India and is limited by shares. The registered office of the Company is located at Village Phulokhari, Taluka Talwandi Saboo, Bathinda, Punjab - 151301.

The Company is engaged in the business of refining of crude oil and has a petroleum refinery of 11.3 Million Metric Tonne Per Annum (MMTPA) called Guru Gobind Singh Refinery at Bathinda, Punjab. The Company has relinquished its participating interest of 20% in exploration & production block situated in the Rajasthan Basin.

The Company has a wholly owned subsidiary, viz. HPCL-Mittal Pipelines Limited ('HMPL'), domiciled in India and limited by shares which owns and operates a Single Point Mooring ('SPM'), crude receipt and storage facility at Mundra port, Gujarat and 1,017 kilometers cross country pipeline for storage and transportation of crude oil. During the year, a non-profit organisation has also been incorporated under Section 8 of the Companies Act, 2013 ('Act'), which is wholly owned by the Company.

The Company along with its subsidiary is collectively hereinafter referred to as 'the Group'.

The consolidated financial statements have been authorized for issue by the Board of Directors on 2 May 2019.

#### 2. Significant accounting policies

##### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 read with Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time), Companies (Indian Accounting Standards) (Amendment) Rules, 2016 and the relevant provisions of the Act.

Effective April 1, 2016, the Group has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 *First time adoption of Indian Accounting Standards*, with 1 April 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Refer (b) below for certain amendments to the standards which are effective for annual periods beginning on or after 1 April 2018.

The consolidated financial statements are presented in INR and all values are rounded to the nearest million except when otherwise indicated.

##### (b) New and amended standards and interpretations

The Group applied for the first time following amendment to the Ind AS which are effective for annual periods beginning on or after 1 April 2018. The nature and the impact of the amendment is described below:

###### (i) New Ind AS effective during the year

###### Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 *Revenue from contracts with customers*, issued on 28 March 2018 replaced Ind AS 18 *Revenue* and Ind AS 11 *Construction contracts* and applies to all revenue arising from contracts with customers, unless such contracts are within the scope of other standards. As per Ind AS 115, the revenue from each of the contract performance obligations must be separately identified, classified and accrued. Among other issues, the standard also establishes the accounting criteria for activating the incremental costs of obtaining a contract with a customer.



**NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019**

(All amounts are in million Indian Rupees, unless otherwise stated)

The Group has reviewed all type of contracts with customers and has identified that there is generally one performance obligation. The Group fulfils its performance obligation through delivery of the products, which occurs at a particular point in time. The Group adopted Ind AS 115 using modified retrospective approach with effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018) and has not restated the comparatives as at and for the year ended 31 March 2018 basis the exemption available in the standard.

Ind AS 115 *Revenue from contracts with customers* does not have material impact on the Group's consolidated financial statements.

**(ii) Amendment to Ind AS effective during the year**

**Amendment to Ind AS 20 Government Grants related to non-monetary asset**

The amendment clarifies that where the government grant related to asset, including non-monetary grant at fair value, shall be presented in balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Prior to the amendment, Ind AS 20 did not allow the option to present asset related grant by deducting the grant from the carrying amount of the asset. This amendment does not have any impact on Group's consolidated financial statements as the Group continues to present grant relating to asset by setting up the grant as deferred income.

**Amendment to Ind AS 38 Intangible Assets acquired free of charge**

The amendment clarifies that in some cases, an intangible asset may be acquired free of charge, or for nominal consideration, by way of a government grant. In accordance with Ind AS 20 *Accounting for government grants and disclosure of government assistance*, an entity may choose to recognise both the intangible asset and the grant initially at fair value. If an entity chooses not to recognise the asset initially at fair value, the entity recognises the asset initially at a nominal amount plus any expenditure that is directly attributable to preparing the asset for its intended use. The amendment also clarifies that revaluation model can be applied for asset which is received as government grant and measured at nominal value. This amendment does not have any impact on the Group's consolidated financial statements.

**Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Considerations**

The appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This interpretation does not have material impact on the Group's consolidated financial statements.

**Amendments to Ind AS 40 Transfer of Investment Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with Ind AS 8 is only permitted if it is possible without the use of hindsight.

The Group does not have any investment property and thus, these amendments have no impact on the Group's consolidated financial statements.





NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

**Amendments to Ind AS 112 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements**

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments are not applicable to the Group.

**Amendments to Ind AS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are not applicable to the Group.

**Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments do not have any material impact on the Group's consolidated financial statements.

**(c) Recent accounting pronouncements**

**(i) New Indian Accounting Standard (Ind AS) issued but not yet effective**

**Ind AS 116 Leases**

Ind AS 116 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Lessees are required to initially recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term.

The new standard permit lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs.

Ind AS 116, was notified on 30 March 2019 by Ministry of Corporate Affairs and will be effective for periods beginning on or after 1 April 2019. This standard will replace the existing lease standard, Ind AS 17 *Leases*, and related interpretations. The Group is currently evaluating the impact that the adoption of this standard will have on its Group's consolidated financial statements.

**(ii) Amendment to Ind AS issued but not yet effective**

**Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past



**NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019**

(All amounts are in million Indian Rupees, unless otherwise stated)

transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Group does not expect any material impact of the amendment on its Group's consolidated financial statements.

**Ind AS 109 Prepayment Features with Negative Compensation**

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Group does not expect this amendment to have any material impact on its Group's consolidated financial statements.

**Ind AS 19 Plan Amendment, Curtailment or Settlement**

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group does not expect this amendment to have any material impact on its Group's consolidated financial statements.

**Ind AS 23 Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group does not expect this amendment to have any material impact on its Group's consolidated financial statements.

**Ind AS 28 Long-term Interests in Associates and Joint Ventures**

The amendments clarify that an entity applies Ind AS 109 *Financial Instruments*, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group does not currently have any long-term interests in associates and joint ventures.

**Ind AS 103 Business Combinations and Ind AS 111 Joint Arrangements**

The amendments to Ind AS 103 relating to re-measurement clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to Ind AS 111 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business. The Group does not expect this amendment to have any impact on its Group's consolidated financial statements.

**(d) Basis and principles of consolidation**

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2019. The Company has one subsidiary in India, HPCL-Mittal Pipelines Limited in which it holds 100% equity shares. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),



NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

- b) Exposure, or rights, to variable returns from its involvement with the investee, and
- c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement with the other vote holders of the investee;
- b) Rights arising from other contractual arrangements;
- c) The Group's voting rights and potential voting rights;
- d) The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The Consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The accounting policies of the subsidiary are, in all material respects, in line with accounting policies of the Company.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year ended on 31 March.

The financial statements of HPCL-Mittal Foundation, incorporated under Section 8 of the Act are not considered for consolidation since the definition of control is not met as the objective in this company is not to obtain economic benefits from its activities.

Consolidation procedures:

- a) The financial statements of the Company and its subsidiary company are consolidated on line-by-line basis adding together the book value of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements as at the acquisition date.
- b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
- c) Eliminate in full, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 *Income Taxes* applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
- b) Derecognises the carrying amount of any non-controlling interests
- c) Derecognises the cumulative translation differences recorded in equity
- d) Recognises the fair value of the consideration received
- e) Recognises the fair value of any investment retained
- f) Recognises any surplus or deficit in profit or loss
- g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities



NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

**(e) Historical cost convention**

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value/ amortised cost. Refer note 2(g)(iv) for accounting policy regarding financial instruments.

**(f) Functional and presentation currency**

The consolidated financial statements have been prepared and presented in INR, which is the Group functional currency. All financial information presented in INR has been rounded to the nearest million. Refer note 2(i)(12) for accounting policy in respect of accounting for foreign currency transactions.

**(g) Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Uncertainty about the assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

**Critical judgments in applying accounting policies**

The key judgments, made by the management, in applying the Group's accounting policies having an effect on these consolidated financial statements are as follows:

- (i) amount of provisions and contingencies that have been recognised in accordance with Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets* as the evaluation of the likelihood of the contingent events requires best judgment on the probability of exposure to potential loss; and
- (ii) amount of gain arising to the Group consequent to its decision to settle the deferred central sales tax liability on a net present value basis and convert resultant amount into an Interest free loan from Government of Punjab (GoP), as fully described in note 29.

**Key source of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group has based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**i) Useful lives of property, plant and equipment**

The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry, and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the asset. The Group reviews the useful life of property, plant and equipment at the end of each reporting date.

**ii) Recoverable amount of property, plant and equipment**

The recoverable amount of property plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and expected future cash flows. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

**iii) Post-retirement benefit plans**

Employee benefit obligation (gratuity) are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



**NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019**

(All amounts are in million Indian Rupees, unless otherwise stated)

**iv) Fair value measurement of financial instruments**

The fair values of financial assets and financial liabilities recorded in the consolidated balance sheet in respect of which quoted prices in active markets are available are measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**(v) Recognition of Deferred tax asset**

Judgements are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. Further in assessing the realisability of deferred income tax assets, management considers that the ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities and projected future taxable income in making this assessment. The amount of the deferred income tax assets considered realisable, however, can change in future if estimates of taxable income during the carry forward period will change.

**(h) Current and non-current classification**

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realized within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

A liability is classified as current when it satisfies any of the following criteria:

- It is expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within 12 months after the reporting date; or
- The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/liabilities include current portion of non-current financial assets/liabilities respectively. All other assets/liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**Operating cycle**

Based on the nature of the operations and the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current non-current classification of assets and liabilities.

**(i) Summary of significant accounting policies**

**1) Property, plant and equipment (PPE)**

**Recognition and measurement**

Property, plant and equipment including capital work in progress is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost comprises of purchase price, borrowing costs if capitalisation criteria is met and is directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.



**NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019**

(All amounts are in million Indian Rupees, unless otherwise stated)

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Likewise, on initial recognition expenditure to be incurred towards major inspections and overhauls are required to be identified as a separate component and depreciated over the expected period till the next overhaul expenditure.

The Group has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

**Subsequent costs and disposal**

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future economic benefits from the existing asset beyond its previously assessed standard of performance/life. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period in which such expenses are incurred.

From accounting periods commencing on or after 1 April 2011, exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable assets are adjusted to the cost of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of PPE are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the Group does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Such exchange differences arising on translation/ settlement of long-term foreign currency monetary items and pertaining to the acquisition of a depreciable asset are amortised over the remaining useful lives of the assets. The Group has elected to continue with the said policy on exchange differences arising on long term foreign currency monetary items existing on 31 March 2016.

From accounting periods commencing on or after 1 April 2016, exchange differences arising on translation/ settlement of long-term foreign currency monetary items, acquired post 1 April 2016, pertaining to the acquisition of a depreciable asset are charged to the consolidated statement of profit and loss.

Gains or losses arising from derecognition of PPE are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit and loss when the asset is derecognised.

**Depreciation and useful lives**

Depreciation on PPE is calculated using the straight-line method (SLM) to allocate their cost, net of their residual values, over their estimated useful lives (determined by the management based on technical estimates) as given below. The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Particulars	Useful Life (Years)
Building *	30
Building (culverts)	30
Building (roads)	5
Temporary buildings and water lines	3
Plant and equipment (refinery assets)	25
Plant and equipment (captive power plant)	40
Plant and equipment (crude oil pipeline)	30
Plant and equipment (pumps)	25
Plant and equipment (lab equipment)	10
Plant and equipment (others)	15
Railway Sidings	15
Furniture and Fixtures	10



**NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019**

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Vehicles	8
Office Equipment	5
Computer and peripherals – end user devices	3
Computer and peripherals – server	6

\*Buildings include both factory and non-factory buildings. The useful lives of the non-factory buildings as mentioned in Schedule II of Companies Act 2013, is higher than what has been assessed by the management.

Assets constructed on leasehold properties are depreciated over the remaining period of the lease or the useful life mentioned above, whichever is lower.

Leasehold improvements are depreciated over primary period of lease, i.e. 9 years or the useful life mentioned above, whichever is lower.

Fixed-bed catalyst (included in Plant and equipment – refinery assets) are depreciated on SLM basis over their useful life determined based on individual chemical reports (ranging from 1 to 8 years) or using life mentioned above whichever is lower.

Spare parts, with useful life of more than one year are depreciated over the useful life of the principal item of PPE in case of specific spare and over the useful life of that spare in case of common spare from the date they are ready for use which ranges between 2 to 5 years.

No depreciation is charged on freehold land since they have an infinite life.

**2) Intangible assets**

**Recognition and measurement**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The Group has decided to continue with the value of intangible assets recognised as at 1 April 2015 measured as per the previous GAAP as the deemed cost of intangible assets.

**Amortisation**

Intangible assets of the Group represents computer software only and are amortised using the straight-line method over the estimated useful life of five years or the tenure of the respective software license, whichever is lower. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit and loss when the asset is derecognised.

**3) Impairment of property, plant and equipment and intangible assets**

The carrying amounts of assets are reviewed at each reporting date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount. The recoverable amount is the greater of the asset's (or cash generating unit's) net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**4) Financial instruments**

**Recognition and subsequent measurement**

Financial assets and financial liabilities are recognised when Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction



NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit and loss.

**A. Financial assets**

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(ii) Other bank balances**

Other bank balances consists of term deposits with banks, which have original maturities of more than three months. Such assets are recognised and measured at amortised cost (including directly attributable transaction cost) using the effective interest method, less any impairment losses.

**(iii) Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost using the effective interest method if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**(iv) Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition.

**(v) Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through loss allowance. The Group recognises lifetime expected losses for trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to 12 months expected credit losses or at an amount equal to lifetime expected losses, if the credit risk on the financial asset has increased significantly since initial recognition.

**(vi) Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety (except for equity instruments designated as FVTOCI), the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the standalone statement of profit and loss.

**B. Equity instruments and financial liabilities**

**(i) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received. Incremental costs directly attributable to the issuance of new ordinary equity shares are recognised as a deduction from equity, net of tax effects.

**(ii) Financial liabilities**

**a) Financial liabilities subsequently measured at amortised cost**

Financial liabilities are measured at amortised cost at the end of subsequent accounting period. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.





NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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**b) Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the standalone statement of profit and loss.

**C. Effective interest rate (EIR)**

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example: prepayment, extension, call and similar options) but does not consider the expected credit losses.

**D. Derivative financial instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure in interest rate, commodity price and foreign exchange rate risks, including foreign interest rate swaps, exchange forward contracts and commodity derivatives respectively.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the standalone statement of profit and loss immediately.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**E. Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the standalone balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**F. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions

The Group categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement which are described as follows:

- (a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability.
- (c) Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Group's assumptions about pricing by market participants.

**5) Borrowing costs**

Borrowing cost includes interest expense as per effective interest rate and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.



NOTES TO CONSOLIDATED STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

6) Inventories

Inventories are valued as follows:

**Raw materials, components, stores and spares:** Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a moving weighted average basis.

**Work-in-progress and finished goods:** Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, and is determined on a monthly weighted average basis. Cost of finished goods includes excise duty.

**Scrap:** Scrap is valued at net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

7) Government grants and subsidies

Grants and subsidies (including incentives) from the government are recognised when there is a reasonable assurance that (i) the Group will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the consolidated statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives grants for non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities. The Group has elected to reduce the grant related to income from the related interest expense.

8) Provisions

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Provisions are reviewed by the management at each reporting date and adjusted to reflect the current best estimates.

9) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the consolidated financial statements.



10) Employee benefits

(a) Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, short-term bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

(b) Post-employment benefits

The Group operates the following post-employment schemes:

**Defined contribution plan: Provident fund**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service.

**Defined benefit plan: Gratuity**

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service, subject to limits prescribed as per the Gratuity Act, 1972. Group has created a fund with insurance companies in the form of a qualifying insurance policy, to cover the entire liability.

The liability or asset recognised in the consolidated balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at each reporting date by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and are never reclassified to profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit and loss as past service cost.

(c) Other long-term employee benefit obligations: Compensated absences

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurement as a result of experience adjustments and changes in actuarial assumptions are recognised in the consolidated statement of profit and loss.

The obligations are presented as current liabilities in the balance sheet as the Group does not have an unconditional legal and contractual right to defer settlement for a period beyond twelve months after the reporting period.

11) Revenue recognition

**Sale of goods**

Revenue is recognised as per Ind AS 115 *Revenue from contracts with customers*.

Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or



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(All amounts are in million Indian Rupees, unless otherwise stated)

services to a customer. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

Recovery of excise duty flows to the Group on its own account and becomes liability of the Group and forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Group on its own account, revenue includes excise duty.

The Group collects sales tax, value added taxes (VAT) and goods and service tax (GST) on behalf of the government and therefore, these are not economic benefits flowing to the Group and is excluded from revenue.

The Group recognises revenue when it satisfies the performance obligation by transferring promised goods or services to customers at amount that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services.

**Interest income**

Interest income from financial assets is recognised at the effective interest rate applicable on initial recognition and is included in the 'Other income' line item.

**12) Accounting for foreign currency transactions**

**Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Indian rupee (INR), which is the Group's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit and loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the consolidated statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit and loss on a net basis. Refer the accounting policy on PPE in respect of accounting of exchange gains and losses relating to long term foreign currency monetary items.

**13) Income Taxes**

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

**Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met. Current Income tax related to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases/amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses, deductible temporary differences and Minimum Alternative Tax (MAT) credit available, to the extent that it is probable that future taxable profits will be available against which they can be utilized (and in case of MAT, during the specified period, i.e., the period for which MAT credit is allowed to be carried forward). Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**14) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

**Identification of segments:**

In accordance with Ind AS 108 *Operating Segment*, the operating segments used to present segment information are identified on the basis of information reviewed by the Group's management to allocate resources to the segments and assess their performance. An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Results of the operating segments are reviewed regularly by the leadership team which has been identified as the chief operating decision maker (CODM), to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

**15) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset to the Group. All other leases are classified as operating leases.

Operating lease payments are recognised as prepayments and amortised on a straight-line basis over the term of the lease unless the payments are structured to increase in line with expected general inflation to compensate for lessor's expected inflationary cost increases. Contingent rentals, if any, arising under operating leases are recognised as an expense in the period in which they are incurred.

**16) Earnings per share**

Basic earnings per share are calculated by dividing the profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

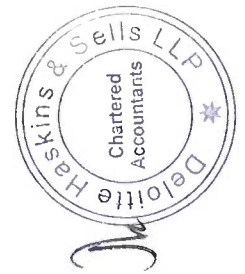
(All amounts are in million Indian Rupees, unless otherwise stated)

3.1 Property, plant and equipment

	Land freehold	Buildings on freehold land	Buildings on leasehold land	Plant and equipment	Plant and equipment on leasehold land	Railway Sidings	Leasehold improvements	Office equipments	Furniture and fixtures	Computer and Peripherals	Vehicles	Total
<b>Cost or valuation</b>												
As at 31 March 2017	7,801	8,072	675	205,326	12,449	237	15	172	147	274	236	235,404
Additions	310	902	-	28,132	-	130	2	24	20	40	61	29,621
Disposals	-	-	-	(1,334)	-	-	-	-	(1)	-	-	(1,335)
Other adjustments	-	(7)	1	(106)	18	-	-	-	-	-	-	(94)
-Exchange difference (a)	8,111	8,967	676	232,018	12,467	367	17	196	166	314	297	263,596
As at 31 March 2018	496	1,282	-	4,026	78	-	11	35	27	59	9	6,023
Additions	-	(45)	-	(129)	(118)	-	-	-	-	-	(3)	(295)
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	169	22	4,930	364	7	-	-	-	-	-	5,492
-Exchange difference (a)	8,607	10,373	698	240,845	12,791	374	28	231	193	373	303	274,816
As at 31 March 2019												
<b>Depreciation</b>												
As at 31 March 2017	-	1,294	218	18,679	1,570	36	8	75	45	136	82	22,143
Charge for the year	-	554	32	9,607	782	20	2	31	24	51	47	11,150
Disposals	-	-	-	(777)	-	-	-	-	-	(1)	-	(778)
As at 31 March 2018	-	1,848	250	27,509	2,352	56	10	106	69	186	129	32,515
Charge for the year	-	295	33	10,728	817	26	1	30	24	43	50	12,047
Disposals	-	(6)	-	(17)	(80)	-	-	-	-	-	(2)	(105)
As at 31 March 2019	-	2,137	283	38,220	3,089	82	11	136	93	229	177	44,457
<b>Net Block</b>												
As at 31 March 2018	8,111	7,119	426	204,509	10,115	311	7	90	97	128	168	231,081
As at 31 March 2019	8,607	8,236	415	202,625	9,702	292	17	95	100	144	126	230,359

Notes:

- (a) The Group has adjusted exchange loss arising on long-term foreign currency loan, amounting to INR 5,492 million (31 March 2018 : gain of INR 94 million) from the cost of property, plant and equipment.  
(b) For lien/charge against property, plant and equipment refer note 11.1 and 11.2



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HPCL-MITTAL ENERGY LIMITED

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(All amounts are in million Indian Rupees, unless otherwise stated)

	31 March 2019	31 March 2018
<b>3.2 Capital work in progress</b>		
Opening balance	16,987	18,922
Add: Additions during the year	53,028	26,901
Add: Expenditure during the year		
- Employee benefits expense (note 19)	475	360
- Finance costs (note 22)	3,264	391
- Foreign exchange differences (net)	-	6
- Depreciation and amortisation expense (note 21)	6	-
- Interest income (note 16)	(33)	-
- Other expenses (note 20)	617	28
Less: Assets capitalised during the year	(6,023)	(29,621)
	<b>68,321</b>	<b>16,987</b>

**4. Intangible assets**

	Computer Software	Total
<b>Cost</b>		
As at 31 March 2017	1,021	1,021
Additions	69	69
As at 31 March 2018	1,090	1,090
Additions	152	152
As at 31 March 2019	<b>1,242</b>	<b>1,242</b>
<b>Amortisation</b>		
As at 31 March 2017	671	671
Charge for the year	279	279
As at 31 March 2018	950	950
Charge for the year	69	69
As at 31 March 2019	<b>1,019</b>	<b>1,019</b>
<b>Net block</b>		
As at 31 March 2018	140	140
As at 31 March 2019	<b>223</b>	<b>223</b>



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## 5. Financial assets

## 5.1. Investments

## Unquoted equity instruments

Other Investment (valued at cost unless stated otherwise)  
0.01 million (31 March 2018 : INR Nil) equity shares of INR 10  
each fully paid-up in HPCL-Mittal Foundation\*

Non-current		Current	
31 March 2019	31 March 2018	31 March 2019	31 March 2018

-	-	-	-
-	-	-	-

\*Amounts are less than INR 0.5 million

## 5.2 Loans (at amortised cost)

## Security deposit

311	215	-	2
311	215	-	2

## 5.3 Other bank balances

-- Deposits with original maturity for more than 3 months but upto 12  
months\*

-- Deposits with original maturity of more than 12 months \*

Non-current		Current	
31 March 2019	31 March 2018	31 March 2019	31 March 2018
-	-	18	400
-	27	27	-
-	27	45	400

\* pledged with the bank.

## 5.4 Current investments

Investments in mutual fund (at fair value through profit and loss)

## Quoted mutual fund

SBI mutual fund - 620,462 units (31 March 2018: Nil)

Current	
31 March 2019	31 March 2018
1,817	-
1,817	-

## 5.5 Trade receivables (at amortised cost)

## Unsecured and considered good

## Trade receivables

Current	
31 March 2019	31 March 2018
25,651	20,430
25,651	20,430

## Note:

The credit period for trade receivables ranges from 0 to 30 days. All the outstanding trade receivables are settled within the contractual credit period. Of the trade receivables outstanding as at 31 March 2019 and 31 March 2018, major dues relate to receivables from a single customer which is a related party.



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5.6 Cash and cash equivalents

	Current	
	31 March 2019	31 March 2018
<b>Balances with banks:</b>		
– On current accounts	171	67
– Deposits with original maturity of upto 3 months	1,305	-
	<b>1,476</b>	<b>67</b>

Deposits with banks earn interest for periods varying between one day to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

5.7 Other financial assets

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<b>Derivative instruments at fair value through profit or loss</b>				
Foreign exchange forward contracts	-	-	2	-
Commodity forward contracts	-	-	145	1
Interest rate and principal only swaps	1,347	806	92	87
	<b>1,347</b>	<b>806</b>	<b>239</b>	<b>88</b>
<b>Other financial assets (at amortised cost)</b>				
Interest accrued but not due	-	8	23	19
Balance recoverable on settled commodity derivative contracts	-	-	167	5
Others	-	-	23	30
	-	<b>8</b>	<b>213</b>	<b>54</b>
	<b>1,347</b>	<b>814</b>	<b>452</b>	<b>142</b>

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6. Deferred tax

Deferred tax (credit)/charge recognised in the consolidated statement of profit and loss

6.1 Deferred tax assets (net)

Balance at the beginning of the year  
Balance at the end of the year  
Deferred tax charge recognised:  
in the consolidated statement of profit and loss  
in the consolidated statement of other comprehensive income

	31 March 2019	31 March 2018
	9,394	11,645
	9,338	9,394
	56	2,251
	81	2,251
	(25)	-

6.2 Deferred tax liabilities (net)

Balance at the beginning of the year  
Balance at the end of the year  
Deferred tax (credit)/charged recognised  
in the consolidated statement of profit and loss  
in the consolidated statement of other comprehensive income  
Net Deferred tax charge recognised in the consolidated statement of profit and loss  
in the consolidated statement of profit and loss

	31 March 2019	31 March 2018
	1,656	2,989
	2,023	1,656
	367	(1,333)
	368	(1,333)
	(1)	-
	449	918

Other comprehensive income  
in the consolidated statement of other comprehensive income

(26) -

6.3 Reconciliation of effective tax rate (tax expense and the accounting profit multiplied by India's domestic tax rate)

Accounting profit before income tax

At India's statutory income tax rate of 34.944% (31 March 2018: 34.944%)

Tax effect of :

-Gain on settlement of central sales tax exempted from tax  
-Foreign exchange fluctuation differences on non-current borrowings:  
    Allowable tax expense due to introduction of section 43AA of Income Tax Act 1961  
-Derivative instruments  
-Corporate social responsibility expenses  
-Impact due to revision in estimate for claiming section 80IA of Income Tax Act, 1961  
-Charge in respect to the adjustment on account of previous years  
-Impact due to change in tax rate  
-Others

	31 March 2019	31 March 2018
	19,241	21,850
	6,724	7,635
	(2,478)	(1,618)
	-	961
	(1)	(283)
	207	81
	-	(1,502)
	6	190
	-	97
	127	21
	4,585	5,582

At the effective income tax rate of 23.829% (31 March 2018: 25.547%)

At India's statutory tax rate for capital gains of 23.296% (31 March 2018: 23.296%)  
Difference between book value and indexed cost of land

	(26)	(26)
	(26)	(26)
	4,559	5,556

At the effective income tax rate of 23.694% (31 March 2018: 25.428%)



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## 6.4 Composition of deferred tax balances

	31 March 2019	31 March 2018
<b>Deferred tax liabilities</b>		
Difference in the book base and tax base of property, plant and equipment	44,370	39,462
Foreign exchange differences	-	961
<b>Gross deferred tax liabilities</b>	<b>44,370</b>	<b>40,423</b>
<b>Deferred tax assets</b>		
Derivative contracts	15	99
Inventory of spares	206	192
Exploration costs charged off	-	204
Unabsorbed depreciation	29,327	30,228
Carried forward tax losses	8,209	7,721
Unrealised profits on intragroup transactions	93	66
Employee benefits obligation	126	52
Minimum alternate tax (MAT)	13,709	9,599
<b>Gross deferred tax assets</b>	<b>51,685</b>	<b>48,161</b>
<b>Net deferred tax assets</b>	<b>7,315</b>	<b>7,738</b>
Aggregate amount of deferred tax liability (net) in component of the Group	2,023	1,656
Aggregate amount of deferred tax asset (net) in component of the Group	9,338	9,394

**Note:**

(a) The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets, current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

(b) HPCL-Mittal Energy Limited ('HMEU') has entered into a fifteen year product off take agreement, starting from November 2011, with Hindustan Petroleum Corporation Limited ('HPCL') according to which HPCL is required to purchase most of the goods produced by the Company. In view of the said contract and past business performances, the management believes, there exists reasonable certainty that it will generate sufficient taxable profits to set-off the unabsorbed depreciation, carry forward losses, unutilised MAT credits and other timing differences and has hence, recognised deferred tax assets on the same.



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7. Tax assets (net)

	Non-current	
	31 March 2019	31 March 2018
Advance income-tax*	935	1,019
	<b>935</b>	<b>1,019</b>

\* Net of provision for income tax of INR 10,568 million (31 March 2018 : INR 9,998 million)

8. Other assets

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Capital advances	7,721	2,032	-	-
Advances other than capital advances	76	177	202	106
	<b>7,797</b>	<b>2,209</b>	<b>202</b>	<b>106</b>
<b>Others</b>				
Balances with statutory/government authorities	91	90	712	850
Prepaid expenses	195	424	652	612
Export incentive receivable	-	-	1	1
	<b>286</b>	<b>514</b>	<b>1,365</b>	<b>1,463</b>
	<b>8,083</b>	<b>2,723</b>	<b>1,567</b>	<b>1,569</b>

9. Inventories

	31 March 2019	31 March 2018
Raw materials	42,710	43,275
Work-in-progress	12,735	10,786
Finished goods	7,234	6,159
Stores and spares	5,087	5,756
	<b>67,766</b>	<b>65,976</b>

Notes:

- (a) Raw materials includes stock in transit of INR 12,568 million (31 March 2018 : INR 13,602 million)  
 (b) The cost of inventories recognised as an expense includes INR 8 million (31 March 2018 : INR 50 million) in respect of write down of inventories to net realisable values.  
 (c) The inventories of the Group have been pledged as securities against borrowings. (refer note 11.1 & 11.2)  
 (d) The cost of inventories recognised as an expense during the year in respect of the Group's operations is INR 437,023 million (31 March 2018 : INR 248,586 million)



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

10. Equity share capital

	31 March 2019	31 March 2018
(a) Authorised (numbers in million) 10,000 (31 March 2018 : 10,000) equity shares of INR 10 each	100,000	100,000
(b) Issued, subscribed and fully paid up (numbers in million) 8,041 (31 March 2018 : 8,041) equity shares of INR 10 each	80,411	80,411
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>80,411</b>	<b>80,411</b>

(c) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. million	INR million	No. million	INR million
Outstanding at the beginning of the year	8,041	80,411	8,041	80,411
Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>8,041</b>	<b>80,411</b>	<b>8,041</b>	<b>80,411</b>

(d) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors will be subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Group remaining after settlement of all preferential liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

(e) Details of shareholders holding more than 5% shares in the Group

	For the year ended 31 March 2019		For the year ended 31 March 2018	
	No. million	% holding in the class	No. million	% holding in the class
Equity shares of INR 10 each fully paid				
Mittal Energy Investments Pte Limited	3,940	48.99%	3,940	48.99%
Hindustan Petroleum Corporation Limited	3,940	48.99%	3,940	48.99%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

(f) No shares have been allotted without payment of cash or by way of bonus shares during the period of five years immediately preceding the balance Sheet date.



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11. Financial Liabilities

11.1 Borrowings (at amortised cost)

	Non-current		Current maturities	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<b>Debentures (Secured)</b>				
2,000 (31 March 2018 : 2,000) 4% Non-Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'l')	3,184	2,946	-	-
3,400 (31 March 2018 : 3400) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (refer 'a')	16,493	15,231	-	-
77 (31 March 2018 : 743) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (Series II) (refer 'l')	370	342	-	2,971
<b>Foreign currency redeemable bonds (Unsecured)</b>				
5.25% Senior unsecured notes (refer 'b')	25,600	24,010	-	-
<b>Term loans (Secured)</b>				
Indian rupee loan from banks (refer 'c', 'd', 'e')	41,768	10,000	1,250	-
Foreign currency loan from banks (refer 'f', 'g', 'h' 'm')	99,322	89,981	954	919
<b>Term loans (Unsecured)</b>				
Foreign currency loan from banks (refer 'i', 'j')	20,174	14,357	-	-
Indian rupee loan from banks	-	4,500	-	-
Indian rupee loan from Government of Punjab (refer 'k')	4,811	3,475	20	10
	<b>211,722</b>	<b>164,842</b>	<b>2,224</b>	<b>3,900</b>
The above amount includes				
Secured borrowings	161,137	118,500	2,204	3,890
Unsecured borrowings	50,585	46,342	20	10
Less: Amount disclosed under the head "Other financial liabilities" (note 11.5)	-	-	(2,224)	(3,900)
<b>Net amount</b>	<b>211,722</b>	<b>164,842</b>	<b>-</b>	<b>-</b>

Notes:

With respect to loans taken by HPCL-Mittal Energy Limited (HMEL):

(a) Redeemable 4% Non-Convertible Debentures (NCDs) were issued at par on 3 September 2012. These are secured by first pari-passu charge on Fixed Assets (Property, plant and equipment) of the Company except the assets pertaining to the petrochemical project to the extent of 1.25 times of the issue size. The series consists of three detachable and Separately Transferable Principal Parts (STRPP) A, B and C. STRPP A, B and C debentures are redeemable at a premium of INR 0.82 million, INR 0.97 million and INR 1.15 million per debenture respectively on 3 September 2020, 3 September 2021 and 3 September 2022 respectively, being the 8th, 9th and 10th year respectively from the date of allotment. The effective interest rate (EIR) of such NCDs is 10.90%.

(b) US Dollar redeemable 5.25% notes were issued at par on 28 April 2017 and are repayable on 28 April 2027. These are unsecured notes. The effective interest rate (EIR) of these notes is 5.25%.

(c) Indian rupee loan of INR 15,000 million (31 March 2018 : INR 10,000 million) outstanding is secured by a hypothecation through a residual charge over movable Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in a bullet installment after 36 months from the date of first disbursement, i.e., 28 September 2018. The loan carries interest rate of 8.70% p.a.

(d) Indian rupee loan of INR 10,000 million (31 March 2018 : INR Nil) outstanding is secured by a hypothecation through a subservient charge over current assets and movable Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in 8 equal quarterly installments starting from 31 March 2020. The loan carries interest rate of 8.65% p.a.

(e) Further, Indian rupee loans of INR 18,211 million (31 March 2018: INR Nil), inclusive of unamortised ancillary borrowing cost of INR 193 million (31 March 2018 : INR Nil), are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The loans are repayable in 35 (thirty five) structured quarterly installments starting from 30 December 2023. The loans carry an interest rate of 9.25% p.a.



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(f) Foreign currency loan from banks equivalent to INR 10,638 million (31 March 2018 : INR 10,003 million), inclusive of unamortised ancillary borrowing cost of INR 90 million (31 March 2018 : INR 113 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. These loans are repayable as below:

INR 3,026 million in 3 variable annual installments starting from February 2022 and carries interest rate of 3 month LIBOR plus a spread of 225 bps.

INR 5,234 million in 3 variable annual installments starting from April 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.

INR 2,378 million in 3 variable annual installments starting from June 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.

(g) Foreign currency loan from banks equivalent to INR 65,978 million (31 March 2018: INR 64,194 million) inclusive of unamortised ancillary borrowing cost of INR 81 million (31 March 2018 : INR 97 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. The outstanding loan are repayable as under:

(i) INR 45,792 million is repayable in 40 variable quarterly installments starting from 30 June 2018 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.

(ii) INR 20,186 million is repayable in 16 variable quarterly installments starting from 31 March 2023 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.

(h) Foreign currency loan from banks equivalent to INR 6,225 million (31 March 2018: INR Nil) inclusive of unamortised ancillary borrowing cost of INR 445 million (31 March 2018 : INR Nil) secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The outstanding loan is repayable in 18 variable half yearly installments starting from 31 December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.

(i) (1) Unsecured foreign currency loan equivalent to INR 5,084 million (31 March 2018: INR 4,781 million) inclusive of unamortised ancillary borrowing cost of INR 35 million (31 March 2018 : INR 42 million) is repayable in a bullet installment in January 2024. The loan carries an interest rate of 6 month LIBOR plus a spread of 240 bps.

(2) Unsecured foreign currency loan equivalent to INR 10,271 million (31 March 2018: INR 9,658 million) inclusive of unamortised ancillary borrowing cost of INR 45 million (31 March 2018 : INR 40 million) is repayable in two equal annual instalments on 2 February 2023 and 2 February 2024. The loan carries an interest rate of 3 month LIBOR plus a spread of 193 bps.

The above loans (1) and (2) are backed by a letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited, to the extent of INR 15,000 million.

(j) Unsecured foreign currency loan equivalent to INR 4,911 million (31 March 2018: INR Nil) inclusive of unamortised ancillary borrowing cost of INR 12 million (31 March 2018 : INR Nil) is repayable in a bullet installment in March 2022. The loan carries an interest rate of 6 month LIBOR plus a spread of 250 bps.

(k) Loan from Punjab Government is interest free and is repayable in 10 equal half yearly installments commencing after 66 months from the dates of disbursement. Amount is due to be paid back to Punjab Government w.e.f. April 2019. The said loan was initially measured at fair value using a rate of interest of 11% p.a. Also refer note 29.

**With respect to loans taken by HPCL-Mittal Pipelines Limited (HMPL):**

(l) Secured redeemable Non-Convertible Debentures (NCDs) Series I and Series II were issued at par on 4 October 2012 and 21 August 2012 respectively. These are secured by a first pari passu charge on Fixed Assets (Property, plant and equipment) to the extent of 1.25 times the issue size. Series I debentures are redeemable at a premium of INR 1.12 million per debenture on 5 October 2022 being the 10th year from the date of allotment, giving an effective interest rate ('EIR') of 10.75%. Series II debentures consists of 3 detachable and separately transferrable principal parts (STRPP) A, B and C. STRPP A, B, C are redeemable at a premium of INR 0.79 million, INR 0.95 million, INR 1.12 million per STRPP/debenture respectively on 21 August 2020, 21 August 2021, 21 August 2022 being the 8th, 9th and 10th year respectively from the date of allotment. During the current year, the Company has redeemed debentures aggregating to INR 2,000 million (31 March 2018 : INR 3,950 million) before the due date of maturities. The EIR on these is 10.75%.

(m) Foreign currency loan from banks equivalent to INR 18,157 million (31 March 2018 :INR 17,074 million) net of unamortised ancillary borrowing cost of INR 105 million (31 March 2018 : INR 161 million) are secured by a mortgage and first charge, ranking pari-passu amongst the lenders, over all movable and immovable properties and assets of the Company, both present and future, save and except current assets (except deposits and accounts under the Trust and Retention Account Agreement) on which working capital lenders (if any) would have a first charge, and these lenders have a second charge. The loan carries an interest rate of 6 months LIBOR plus a spread of 260 bps. The loan is repayable in two installments of INR 6,052 million and INR 12,105 million on 31 March 2021 and 22 April 2021 respectively.



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11.2 Borrowings

	31 March 2019	31 March 2018
Foreign currency loan from banks (secured)	-	15,571
Foreign currency loan from banks (unsecured) (refer 'a')	6,124	-
Indian rupee loan (unsecured) (refer 'b', 'e')	5,885	4,955
Indian rupee loan from banks (secured) (refer 'c')	6,490	28
Indian rupee bill discounting (secured) (refer 'c')	-	1,150
Indian rupee loan from banks (refer 'd')	112	817
	<b>18,611</b>	<b>22,521</b>

Notes :

With respect to loans taken by HPCL-Mittal Energy Limited (HMEL):

(a) Unsecured foreign currency loan equivalent to INR 6,124 million (31 March 2018: INR Nil) is repayable in April 2019. The loan carries an interest rate of 2.99% p.a.

(b) INR 2,960 million (31 March 2018 : INR 4,955 million) represents Commercial Paper of face value INR 3,000 million issued to investors on unsecured basis. The loan carries an interest rate which is determined and fixed on the date of availing of the loan which is presently at 7.80% p.a. This loan is repayable in June 2019.

(c) INR 6,490 million (31 March 2018 : INR 1,178 million) Indian rupee loan is secured by first charge, ranking pari-passu amongst the lenders, on all current assets of the Company except assets pertaining to the petrochemical project, save and except deposits and accounts under the trust and retention account, and have a second charge ranking pari-passu on all movable and immovable Property, plant and equipment of the Company, both present and future except assets pertaining to the petrochemical project. The loan carries an interest rate ranging from 8.35% to 8.65%.

With respect to loans taken by HPCL-Mittal Pipelines Limited (HMPL):

(d) Secured Indian rupee loans to be repaid in 3 months to 6 months from date of drawdown and carries an interest rate of 1 month to 3 months MCLR (presently, 8.35% to 8.45% p.a.). The said loan is secured on residual charge basis over movable Fixed Assets (Property, plant and equipment) of the Company.

(e) INR 2,925 million represents Commercial Paper of face value INR 2,950 million issued to investors on unsecured basis. The loans carry an interest rate which is determined and fixed on the date of availing of the loan which is ranging from 7.50% p.a. to 7.95% p.a. These are repayable from 3 May 2019 to 3 June 2019.

11.3 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes

	For the year ended 31 March 2019		For the year ended 31 March 2018	
	Non-current	Current	Non-current	Current
Balance at the beginning	168,742	22,521	173,052	20,475
Net additions/(repayment)	37,636	(3,756)	(4,200)	1,995
Other movements*	7,568	(154)	(110)	51
Balance at the end	<b>213,946</b>	<b>18,611</b>	<b>168,742</b>	<b>22,521</b>

\* Other movements includes premium on redemption of debentures, interest accrued on debentures, foreign exchange (gain)/loss and ancillary cost of arranging the borrowings.

11.4 Trade payables

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Trade payables*	-	-	38,898	38,861
Acceptances**	-	-	21,411	11,127
	-	-	<b>60,309</b>	<b>49,988</b>

\*Majority of trade payables relate to crude oil purchases having an average interest free credit period of 30 days. The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit term.

\*\*Represents the amount payable to the supplier of raw material, wherein the supplier has extended the credit period from 30 days to 120 days against irrevocable letter of credit for which the Company bears the financing charge. As per arrangement, the Company will settle its obligations with the supplier's bank.

Refer note 26 for explanations on the Group's liquidity risk management processes.



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11.5 Other financial liabilities

	Non-Current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<b>Financial liabilities at fair value through profit or loss</b>				
Commodity forward contracts	-	-	1	252
Foreign exchange forward contracts	-	-	71	-
Interest rate and principal only swaps	462	1	-	-
	<b>462</b>	<b>1</b>	<b>72</b>	<b>252</b>
<b>Other financial liabilities at amortised cost</b>				
Current maturities of non-current borrowings (note 11.1)	-	-	2,224	3,900
Security deposits received	-	-	187	183
Commodity hedging payable	-	-	50	50
Liability towards project vendors*	838	-	4,252	3,891
Liability towards exploration activities**	-	-	228	225
Interest accrued but not due on borrowings	-	-	1,396	1,395
	<b>838</b>	<b>-</b>	<b>8,337</b>	<b>9,644</b>
	<b>1,300</b>	<b>1</b>	<b>8,409</b>	<b>9,896</b>

\* Non-current portion represents the amount payable to the supplier of capital goods wherein credit period is from 882 days to 900 days against irrevocable letter of credit for which the Company bears the financing charge. As per arrangement, the Company will settle its obligations with the supplier's bank.

\*\* Represents the Group's obligation towards the finished minimum work programme for its participating interest in relinquished domestic E&P block(s) KG-basin and Rajasthan-basin.

12. Provisions

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<b>Provision for employee benefits</b>				
Provision for gratuity (note 28)	-	-	154	72
Provision for compensated absences	169	66	40	11
	<b>169</b>	<b>66</b>	<b>194</b>	<b>83</b>
<b>Other provisions</b>				
Provision towards project vendors (refer 'a')	-	-	143	1,696
Provision towards potential claims (refer 'b')	1,011	994	-	-
	<b>1,011</b>	<b>994</b>	<b>143</b>	<b>1,696</b>
	<b>1,180</b>	<b>1,060</b>	<b>337</b>	<b>1,779</b>

Notes :

(a) (a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2018 of INR 1,696 million has increased by additional provision of INR 126 million and reduced by INR 1,679 million on account of settlement with the vendors during the year.

(b) The Group has made provision for potential claims that may arise upon final settlement of some of the Group's dues. The opening provision of INR 994 million as on 1 April 2018 has changed due to reduction in provision during the year of INR 92 million and increased due to unwinding of discount of INR 109 million.

13. Other liabilities

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Advance from customers	-	-	295	374
Statutory dues payable	-	-	3,128	3,216
Government incentives*	3,486	3,065	643	493
<b>Total other liabilities</b>	<b>3,486</b>	<b>3,065</b>	<b>4,066</b>	<b>4,083</b>
<b>* Movement in government incentives</b>			<b>31 March 2019</b>	<b>31 March 2018</b>
At the beginning of the year			3,558	3,252
Received during the year			1,064	694
Released to the consolidated statement of profit and loss (note 22)			(493)	(388)
At the end of the year			<b>4,129</b>	<b>3,558</b>

Government of Punjab has granted an interest free loan to the Group as described in note 29. The difference between the actual proceeds and fair value of the loan has been treated as government incentives and is recognised in the consolidated statement of profit and loss over the period of loan.

14. Current tax liabilities

	Current	
	31 March 2019	31 March 2018
Liabilities for income tax (net of taxes paid)	750	-
	<b>750</b>	<b>-</b>

Net of income tax paid of INR 2,834 million (31 March 2018 : INR Nil)



## 15. Revenue from operations

	31 March 2019	31 March 2018
Sale of products (including excise duty)		
Finished goods	623,780	399,431
	<b>623,780</b>	<b>399,431</b>

Sale of products includes excise duty collected from customers of INR 151,501 million (31 March 2018: INR 121,423 million).

## Productwise category

	31 March 2019	31 March 2018
Solid products	58,639	36,655
Liquid products	565,141	362,776
	<b>623,780</b>	<b>399,431</b>

Note: The Group has applied Ind AS 115 'Revenue from contracts with customers' with effect from 1 April 2018, using the modified retrospective method of adoption. Under this method, the Group is required to adjust the cumulative effect of initially applying Ind AS 115 in the opening balance of retained earnings as at 1 April 2018.

The Group is in the business of refining of crude oil and selling of refined products. Each sale transaction is a separate contract with customer and the performance obligation is satisfied as and when goods are delivered to the customer. The management has assessed that there is no impact in the revenue recognition on adoption of Ind AS 115.

## 16. Other income

	31 March 2019	31 March 2018
(a) Interest income on financial assets carried at amortised cost		
Bank deposits	71	65
Deposits and others	17	13
(b) Other non-operating income		
Provision no longer required written back	-	15
Insurance claims received	18	90
Liability towards vendors no longer required written back	10	1,423
Miscellaneous income	586	308
(c) Other gains and losses		
Gain on sale of current investments (net)	94	107
Gain on settlement of deferred sales tax loan (note 29)	6,889	4,635
Foreign exchange difference (net)	3	418
Fair value gain on derivative contracts (net)	-	503
	<b>7,688</b>	<b>7,577</b>
Less: Transferred to capital work in progress (note 3.2)	(33)	-
	<b>7,655</b>	<b>7,577</b>

## 17. Cost of raw materials consumed

	31 March 2019	31 March 2018
Inventory at the beginning of the year	43,275	31,347
Add: Purchases	415,575	238,275
Less: Inventory at the end of the year	(42,710)	(43,275)
	<b>416,140</b>	<b>226,347</b>

Note : Includes material consumed of INR 14,894 million (31 March 2018 : INR 10,451 million) as fuel for in house power and steam generation.

## 18. (Increase)/decrease in inventories

	31 March 2019	31 March 2018
Inventories at the beginning of the year		
-Work-in-progress	10,786	10,875
-Finished goods	6,159	11,535
Inventories at the end of the year		
-Work-in-progress	(12,735)	(10,786)
-Finished goods	(7,234)	(6,159)
	<b>(3,024)</b>	<b>5,465</b>
Net (Increase)/decrease in inventories		



**19. Employee benefits expense**

	31 March 2019	31 March 2018
Salaries, wages and bonus	2,980	2,556
Contribution to provident fund (note 28.1)	171	146
Gratuity expense (note 28.2)	80	57
Compensated absences	188	82
Staff welfare expenses	273	244
	<u>3,692</u>	<u>3,085</u>
Less: Transferred to capital work in progress (note 3.2)	(475)	(360)
	<u>3,217</u>	<u>2,725</u>

**20. Other expenses**

	31 March 2019	31 March 2018
Consumption of chemicals, stores and spares	3,407	2,221
Power and fuel	1,916	999
Repairs and maintenance		
- Buildings	9	14
- Plant and machinery	1,190	873
- Others	298	313
Facility maintenance	393	365
Professional and consultancy fees (refer note 'a' below)	231	151
Rent	314	252
Commission on sales	202	134
Rates and taxes	19	16
Insurance	866	722
Travelling and conveyance	323	257
Sales promotion expenses	7	10
Freight outward	637	220
Excise duty/Goods and Service Tax (GST) reversal on exempted finished goods	725	732
Increase/(decrease) of excise duty on inventories	137	(2,672)
Fair value loss on derivative contracts (net)	1,550	-
Loss on discard of property plant and equipment	185	558
Corporate social responsibility expenditure (refer note 'b' below)	593	230
Foreign exchange differences (net)	5,260	-
Miscellaneous expenses	1,195	830
	<u>19,457</u>	<u>6,225</u>
Less: Transferred to capital work in progress (note 3.2)	(617)	(28)
	<u>18,840</u>	<u>6,197</u>

**a) Details of remuneration to auditors included under professional and consultancy fees**

	31 March 2019	31 March 2018
-Fee for statutory audit	7	7
-Fee for limited review	1	2
-Fee for tax audit	*	*
-Fee for certifications	1	*
-Other services	2	*
-Out of pocket expenses	1	*
	<u>12</u>	<u>9</u>

\*Amounts are less than INR 0.5 million

**b) Details of CSR expenditure**

	31 March 2019	31 March 2018
Gross amount required to be spent by the Group during the year	574	228
Amount spent during the year		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	593	230
	<u>593</u>	<u>230</u>

Note: Out of the aforementioned amount of INR 593 million (31 March 2018 : INR 230 million), an amount of INR 396 million (31 March 2018 : INR Nil) has been contributed by the Group to HPCL-Mittal Foundation which has been incorporated by the Company, exclusively for undertaking CSR activities in terms of the General Circular No. 21/2014 of MCA dated 18 June 2014.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

**21. Depreciation and amortisation expense**

	31 March 2019	31 March 2018
Depreciation property, plant and equipment (note 3.1)	12,047	11,150
Amortisation of intangible assets (note 4)	69	279
	<b>12,116</b>	<b>11,429</b>
Less: Transferred to capital work in progress (note 3.2)	(6)	-
	<b>12,110</b>	<b>11,429</b>

**22. Finance costs**

	31 March 2019	31 March 2018
Interest cost	13,656	10,748
Exchange difference to the extent considered as an adjustment to borrowing cost	3,469	1,147
Bank charges	271	213
Interest rate swap - settlement	(349)	100
Unwinding of discount on long term provisions	109	98
	<b>17,156</b>	<b>12,306</b>
Less: Transferred to capital work in progress (note 3.2)	(3,264)	(391)
Less: Government incentives (note 13)	(493)	(388)
	<b>13,399</b>	<b>11,527</b>

**23. Earnings per share (EPS)**

The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:

	31 March 2019	31 March 2018
<b>Profit after tax as per Statement of Profit and Loss</b> (used for both calculation of basic and diluted EPS)	14,682	16,294
Weighted average number of equity shares in calculating basic and diluted EPS (in million)	8,041	8,041
Basic - Par value of INR 10 per share (in INR)	1.83	2.03
Diluted - Par value of INR 10 per share (in INR)	1.83	2.03



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24. Related party disclosures

24.1 Related parties : Nature of relationship

Nature of relationship	Name of related parties
Joint venture companies having significant influence	Hindustan Petroleum Corporation Limited (HPCL)
Holding company of joint venturer (HPCL)	Mittal Energy Investments Pte Limited (MEI)
	Oil and Natural Gas Corporation Limited (ONGC)

24.2 Transactions with related parties

Particulars	Joint venture companies having significant influence		Holding company of joint venturer (HPCL)		Key management personnel	
	Hindustan Petroleum Corporation Limited 31 March 2019	Mittal Energy Investments Pte Limited 31 March 2018	Oil and Natural Gas Corporation Limited 31 March 2019	Oil and Natural Gas Corporation Limited 31 March 2018	31 March 2019	31 March 2018
Transactions during the year						
Allocation of expenses	180	143	-	-	-	-
Reimbursement of expenses paid/payable	9	6	-	-	-	-
Purchase of goods	1,628	913	-	-	-	-
Purchase of services	2	-	-	-	-	-
Sale of goods (inclusive of taxes)	578,302	376,232	-	-	-	-
Sale of crude oil	1,618	-	-	-	-	-
Final dividend for financial year 2017-18	500	500	-	-	-	-
Sales of spares	-	2	-	-	-	-
Purchase of spares	2	-	-	-	-	-
Contribution towards exploration expenses	-	-	-	-	11	-
Remuneration paid to key managerial personnel:						
(i) short-term employment benefits	-	-	-	-	-	118
(ii) post-employment benefits	-	-	-	-	-	19
(iii) other long term benefits	-	-	-	-	-	6
(iv) termination benefits	-	-	-	-	-	1
(v) sitting fees	-	-	-	-	-	4

24.3 Balance outstanding

Particulars	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Oil and Natural Gas Corporation Limited	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Balance outstanding						
Trade receivable	24,024	19,961	-	-	-	-
Other financial assets -others	14	14	-	-	-	-
Other financial liabilities - exploration activities	-	-	-	-	18	7
Trade payable	109	99	-	-	-	-

Notes:

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash.
- HPCL and MEI have issued letters of comfort for loans taken by the Group as described in note 11.1
- For the year ended 31 March 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period.
- Government of India (GOI), is also a related party as Hindustan Petroleum Corporation Limited (HPCL) who is a joint venturer of the Group and subsidiary of Oil and Natural Gas Corporation Limited, is a Government related entity. The Group deals on regular basis with entities directly or indirectly controlled by the central/state governments through its government authorities, agencies, affiliations and other organisations and entered into transactions including but not limited to purchase and sale of goods and services (including capital goods), telephone expenses, air travel, fuel purchase and deposits etc. and availed loans and paid/accrued interest on the same with various GOI related entities. These transactions are conducted in the ordinary course of business on arms-length basis and are insignificant individually and collectively and hence not disclosed.
- Refer note 20(b) for the transactions entered with HPCL-Mittal Foundation, a non-profit organisation incorporated under Section 8 of the Companies Act 2013, wholly owned by the Company.



## 25. Financial Instruments

## a) Classification of each category of financial instruments, their carrying amounts and fair value

Particulars	31 March 2019			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
<b>Financial assets</b>				
Loans	-	311	311	311
Investments in mutual fund	1,817	-	1,817	1,817
Trade receivables	-	25,651	25,651	25,651
Cash and cash equivalents	-	1,476	1,476	1,476
Other bank balances	-	45	45	45
Other financial assets (current)	239	213	452	452
Other financial assets (non-current)	1,347	-	1,347	1,347
<b>Total Financial assets</b>	<b>3,403</b>	<b>27,696</b>	<b>31,099</b>	<b>31,099</b>
<b>Financial liabilities</b>				
Borrowings (current)	-	18,611	18,611	18,611
Borrowings (non-current)*	-	214,344	214,344	218,181
Trade payables	-	60,309	60,309	60,309
Other financial liabilities (current)	72	6,113	6,185	6,185
Other financial liabilities (non-current)	462	838	1,300	1,300
<b>Total Financial liabilities</b>	<b>534</b>	<b>300,215</b>	<b>300,749</b>	<b>304,586</b>

\*Includes current maturities and interest accrued but not due on non-current borrowings

Particulars	31 March 2018			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
<b>Financial assets</b>				
Loans	-	217	217	217
Trade receivables	-	20,430	20,430	20,430
Cash and cash equivalents	-	67	67	67
Other bank balances	-	427	427	427
Other financial assets (current)	88	54	142	142
Other financial assets (non-current)	806	8	814	814
<b>Total Financial assets</b>	<b>894</b>	<b>21,203</b>	<b>22,097</b>	<b>22,097</b>
<b>Financial liabilities</b>				
Borrowings (current)	-	22,521	22,521	22,521
Borrowings (non-current)	-	168,741	168,741	169,236
Trade payables	-	49,988	49,988	49,988
Other financial liabilities (current)	252	5,744	5,996	5,996
Other financial liabilities (non-current)	1	-	1	1
<b>Total Financial liabilities</b>	<b>253</b>	<b>246,994</b>	<b>247,247</b>	<b>247,742</b>

(a) The carrying amounts of all the financial instruments mentioned in the table above except borrowings and certain derivatives included in other financial assets and other financial liabilities are considered to be the same as their fair values.

(b) The fair value of the derivative financial instruments have been derived using the valuation techniques since these are not traded in the active market. These instruments are classified as level 2 fair values in the fair value hierarchy.

(c) The fair values of non-current borrowings are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The following table gives details of the level wise hierarchy of the financial instruments that are recognised and measured at fair value through profit or loss.

	31 March 2019			31 March 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets - current</b>						
Investment in mutual fund	1,817					
Other financial assets (derivative assets)		239			88	
<b>Financial assets - non current</b>						
Other financial assets (derivative assets)		1,347			806	
<b>Financial liabilities - current</b>						
Other financial liabilities (derivative liability)		72			252	
<b>Financial liabilities - non current</b>						
Other financial liabilities (derivative liability)		462			1	



**26. Financial risk management****Risk management framework**

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Financial Risk Management Committee (FRMC) and Commodity Risk Management Committee (CRMC), which are responsible for developing and monitoring the Group's risk management policies. The FRMC/CRMC comprises of Chief Executive Officer, Chief Financial Officer and some other senior executives of the Group.

FRMC/CRMC guides the concerned department in decision about risks to be hedged, hedging strategies to be adopted and the execution methodologies to be followed.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's activities expose it to market risk, liquidity risk and credit risk. These risks are actively measured, monitored and managed to abide by the principles of corporate governance.

**(a) Credit risk**

The Group controls its own exposure to credit risk. All external customers undergo a creditworthiness check. The Group performs an on-going assessment and monitoring of the financial position and the risk of default. Based on the aforesaid checks, monitoring and historical data, the Group does not perceive any significant credit risk on trade receivables.

As at 31 March 2019, the Group is not exposed to the credit risk for the receivables as more than 90% (31 March 2018: more than 90%) of the trade receivables is from a related party. In respect to the bank deposits the Group limits its exposure by dealing with creditworthy and reputable banks.

In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash and performs trade finance operations. The Group primarily has banking relationships with the public sector, private and large international banks with good credit rating.

The maximum exposure to the credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 5.

**(b) Liquidity risk**

The Group has mature liquidity risk management processes covering short-term, mid-term and long-term funding. Liquidity risk is controlled through maintaining sufficient reserves, adequate amount of committed credit facilities and loan funds. Management regularly monitors projected and actual cash flow information, analyses the repayment schedules of the existing financial assets and liabilities and performs annual detailed budgeting procedures coupled with rolling cash flow forecasts.

The contractual maturities of Group's financial liabilities are presented below:-

31 March 2019	Contractual cash flows				Total
	Less than 1 year	2-4 years	5-9 years	Above 9 years	
Non-derivative financial liabilities					
Borrowings (non-current)*	14,218	119,818	123,426	12,353	269,815
Borrowings (current)	18,694	-	-	-	18,694
Trade payable	60,925	-	-	-	60,925
Other financial liabilities	6,467	874	-	-	7,341
Payments for operating leases	76	128	210	84	498
Derivative financial liabilities	72	462	-	-	534

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

(All amounts are in million Indian Rupees, unless otherwise stated)

31 March 2018	Contractual cash flows				Total
	Less than 1 year	2-4 years	5-9 years	Above 9 years	
Non-derivative financial liabilities					
Borrowings (non-current)*	12,912	74,929	112,125	32,667	232,633
Borrowings (current)	22,521	-	-	-	22,521
Trade payable	49,988	-	-	-	49,988
Other financial liabilities	5,744	-	-	-	5,744
Payments for operating leases	73	154	197	118	542
Derivative financial liabilities	252	1	-	-	253

\* includes current maturities of non-current borrowings

**(c) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to different types of market risks. The market risk is the possibility that changes foreign currency exchange rates, interest rates and commodity prices which may affect the value of the Group's financial assets, liabilities or expected future cash flows.

The fair value information presented below is based on the information available with the management as of the reporting date.

**(c.1) Foreign currency exchange risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The risk of fluctuations in foreign currency exchange rates on its financial liabilities including borrowing, trade and other payable etc., are mitigated through the natural hedge alignment on bulk of its revenue, as Group's major products net prices are predominantly linked to US dollars and such economic exposure provides natural alignment. The effects of exchange rate fluctuations in US Dollar/INR are absorbed through revenue generation linked to the currency movement. The Group also uses exchange contracts to hedge its currency risk. The Group does not use derivative financial instruments for trading or speculative purposes.

The foreign currency exchange management policy is to minimize economic and transactional exposures arising from currency movements against the US dollar and Japanese Yen. The Group manages the risk by netting off naturally-occurring opposite exposures wherever possible, and then dealing with any material residual foreign currency exchange risks if any.

A reasonably possible strengthening /weakening of the Indian Rupee against such foreign currency as at 31 March 2019 and 31 March 2018 would have affected profit or loss by the amounts shown below. This would not impact the profit and loss entirely as certain portion of foreign exchange loss/(gain) is being added/(deducted) to/from the value of property, plant and equipment. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

Effect in INR	Profit or (loss) before tax for the year ended 31 March 2019		Profit or (loss) before tax for the year ended 31 March 2018	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
USD	2,129	(2,129)	1,941	(1,941)
JPY	-	-	-	-
EURO	2	(2)	2	(2)
	<b>2,131</b>	<b>(2,131)</b>	<b>1,943</b>	<b>(1,943)</b>

**(c.2) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Long term borrowings raised at floating interest rates expose the Group to interest rate risk arising from the possible movement of variable elements of the overall interest rate. Interest rate swaps are utilized to manage the interest rate exposure of the debt based on Group's policy.

If the interest rates applicable to floating rate instruments is increased/decreased by 1%, the profit before tax for the year ended for 31 March 2019 would decrease/increase by INR 1,003 million (31 March 2018 : INR 562 million). This assumes that the amount and mix of fixed and floating rate debt (net of interest rate swap) remains unchanged during the year from that in place as at year end and that the change in interest rates is effective from the beginning of the year.





**(c.3) Commodity price risk**

The Group is exposed to market risks related to price volatility of crude oil and sale price of its refined products. The Group uses commodity derivative instruments to manage these exposures on a portion of its activity, including firm commitments and anticipated transactions for the purchase of crude oil and sale of products. Commodity derivatives are used primarily as risk management tool to safeguard the price basis risk on purchase of crude oil on different benchmark basis, price timing mismatches on crude oil and product pricing mismatches and safeguard product margins on sale of refined products. HMEI employs specific financial instruments namely swaps and basis swaps for hedging its pricing risk related to commodities. On 31 March 2019 some of these hedging positions on timing mismatches, benchmark mismatches and product margins (time swaps, basis swaps and product swaps) remained open to be settled at a later date. Previous year timing mismatch hedge positions remained open as at 31 March 2019.

The impact of increase or decrease by \$1/bbl on open hedges as on 31 March 2019 assuming all other variables remain constant is as under:

Increase or decrease by \$1/bbl in dated Brent Dubai differential is INR 166 million (31 March 2018 : INR 124 million)

Increase or decrease by \$1/bbl in FO Dubai differential is INR 90 million (31 March 2018 : INR 124 million)

Increase or decrease by \$1/bbl in Singapore gasoil 10 PPM cracks is INR Nil (31 March 2018 : INR 98 million)

The impact of increase or decrease would be offset by the changes in physical sales/purchase revenue/cost.

**27. Capital management**

The Group capital management objectives are to ensure its ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders.

The Group manages its capital structure and makes adjustments to it as and when required. To maintain or adjust the capital structure, the Group may pay dividend or repay debts, raise new debt or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2019 and 31 March 2018.

The Group capital consists of equity attributable to equity holders that includes equity share capital, retained earnings and long term borrowings.

	31 March 2019	31 March 2018
Equity including retained earnings	105,498	92,095
Borrowings considered as equity* (note 11.1)	15,000	14,357
<b>Total equity (a)</b>	<b>120,498</b>	<b>106,452</b>
Non-current borrowings (b)**	198,946	154,386
<b>Total capital (c) = (a) + (b)</b>	<b>319,444</b>	<b>260,838</b>
Long term borrowings (b) / Total capital (c)	62%	59%

\*Borrowings backed by letter of comfort from Hindustan Petroleum Corporation Limited (HPCL) and Mittal Energy Investments Pte Limited (MEI) have been treated as equity by the lenders and hence excluded from long term borrowings for the purpose of computing above ratio.

\*\* Includes current maturities of non-current borrowings.

In order to achieve the overall objective, the Group capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest bearing borrowings in the current period.



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## 28. Employee benefits

## 28.1 Defined contribution plan

The Group makes contribution towards provident fund for employees. The Company's contribution to the Employees Provident Fund is deposited to the government under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. During the year, the Group has recognised INR 171 million (31 March 2018 : INR 146 million) in the consolidated statement of Profit and Loss.

## 28.2 Gratuity

The Group has a defined benefit gratuity plan as per the provision of the Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service, gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. Group has created a fund with insurance companies in the form of a qualifying insurance policy, to cover the entire liability.

The following tables summarize the components of net benefit expense recognised in the consolidated statement of profit and loss, the funded status and amounts recognised in the balance sheet for the gratuity plans.

## (i) Net employee benefit expenses recognized in employee benefits expense

## (a) Expense recognized in the consolidated statement of profit and loss

Particulars	31 March 2019	31 March 2018
Current service cost	74	52
Net interest expenses	6	5
Amount to be recognised in the consolidated statement of profit and loss	80	57

## (b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2019	31 March 2018
Expected return on plan assets (excluding amounts included in net interest expense)	(3)	(1)
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	51	-
- From changes in financial assumptions	53	(19)
- Experience adjustments	(27)	24
Amount to be recognized in the consolidated statement of other comprehensive income	74	4

## (ii) Benefit assets/(liability)

Particulars	31 March 2019	31 March 2018
Present value of defined benefit obligation	477	335
Fair value of plan assets	323	263
Plan liability	(154)	(72)

Note: The Group is maintaining a fund with the insurance companies to meet its gratuity liability. The present value of the plan assets represents the balance available with the insurance companies as at the end of the year and has been certified by them.

## Changes in the present value of the defined benefit obligation are as follows:

Particulars	31 March 2019	31 March 2018
Opening defined benefit obligation	335	266
Current service cost	74	53
Interest cost	26	19
Benefits paid	(37)	(9)
Actuarial (gain)/loss on obligation	79	6
Closing defined benefit obligation	477	335

## Changes in the fair value of plan assets are as follows:

Particulars	31 March 2019	31 March 2018
Opening fair value of plan assets	263	200
Expected return	24	16
Contributions by employer	73	55
Fund charges	-	-
Benefits paid	(37)	(9)
Actuarial gain/(loss)	-	1
Closing fair value of plan assets	323	263

\* Amounts are less than INR 0.5 million.



(iii) The principal assumptions used in determining gratuity benefit obligations for the Group's plans are shown below:

Particulars	31 March 2019	31 March 2018
Discount rate	7.61%	7.80%
Future salary increase	8.49%	6.50%
Attrition rate		
- Up to 30 years	9.35%	3.00%
- From 31 to 44 years	4.15%	2.00%
- Above 44 years	5.00%	1.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Sensitivities due to mortality and withdrawals are not material and hence the impact of change due to these is not disclosed.

(iv) A quantitative sensitivity analysis of the changes in the defined benefit obligation due to changes in significant assumption as at 31 March 2019 is as shown below:

Assumptions	Sensitivity Level	31 March 2019	31 March 2018
Discount rate	0.5 % increase	(20)	(19)
	0.5 % decrease	21	22
Future salary increases	0.5 % increase	10	12
	0.5 % decrease	(10)	(12)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Consolidated Balance Sheet.

The method and types of assumptions used in the preparing the sensitivity analysis did not change compared to the prior period.

(v) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31 March 2019	31 March 2018
Investment with insurer	100%	100%

The Group contributes all ascertained liabilities towards gratuity in insurer managed funds.

(vi) Risk exposure

The Group is exposed to the following risk:

a) Interest rate risk: The defined benefit obligation is calculated using the discount rate based on government bonds. If bond yields fall the defined benefit obligation will tend to increase.

b) Salary inflation risk: The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of the participant in future. Deviation in the rate of increase of salary is future for plan participants from the rate of increase in salary used to determine the present value of obligation will have bearing on the plan's liability.

c) Mortality rate: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(vii) The Group expects to contribute INR 101 million (31 March 2018 : INR 69 million) towards the plan assets in the next one year.

(viii) Maturity profile of defined benefit obligation

Year	31 March 2019	31 March 2018
0 to 1 year	61	40
1 to 2 year	22	26
2 to 3 year	12	8
3 to 4 year	10	8
4 to 5 year	12	7
5 to 6 year	8	5
6 year onwards	352	241

(ix) The average duration of the defined benefit plan obligation at the end of the reporting period is 11.10 years (31 March 2018 : 20.18 years) of HMEL and 15.94 years (31 March 2018 : 20.63 years) of HMPL.



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**29. Settlement of deferred sales tax loan**

As per the provisions of the Deed of Assurance (DoA) dated 12 August 2005, signed by the Company with the Government of Punjab (GoP), the Company is allowed a deferment of Central Sales Tax (CST) up to 300% of fixed capital investment for 15 years from the date of production, and the same is required to be repaid, free of Interest, from 16th year onwards in 30 half yearly instalments. Further, Punjab VAT Act, 2005 vide notification no. S.O. 21/P.O.5/2005/S, 92/2005 dated 6 April 2005, prescribed certain conditions for availing deferment and exemption which inter-alia provides that any unit availing benefit of deferment, can opt for payment of deferred CST liability on a net present value basis, before the date of filing of return. The Company had discussed with GoP for settlement of its CST liabilities in line with the above option and has settled the CST liability of INR 44,558 million (31 Mar 2018 : INR 35,531 million) as at 31 March 2019, for a Net Present Value (NPV) of INR 8,393 million (31 March 2018 : INR 6,255 million), by discounting the gross CST liability using an appropriate interest rate. The Company has obtained necessary legal advice with respect to the enforceability of said adjustment and also the basis for computation of net present value of CST. Consequentially, a gain of INR 6,889 million (31 March 2018 : INR 4,635 million) has been accounted for in the books of accounts in the current year as other income.

Further, as per the provisions of the DoA, the Company is also entitled to an Interest Free Loan (IFL) of INR 12,500 million which was to be disbursed in equal monthly instalments over a 5 year period starting from the date of commencement of operations viz 3 December 2011, a date which has been recognised and approved by the Empowered Committee of GoP. The said loan is required to be repaid in 10 equal half yearly instalments after expiry of 66 months from the date of disbursement. Accordingly, as of 31 March 2019 an amount of INR 12,500 million (31 March 2018: INR 12,500 million) was due to the Company towards IFL against which an amount of INR 100 million only was disbursed upto 31 March 2019. As per the terms of the DoA, in the event of non-payment of monthly loan instalments, the Company is eligible to unilaterally adjust the loan amount in subsequent month from its sales tax or such other payment due to GoP. The Company exercised the said option on 1 April 2015 and started adjusting the amount of IFL against the NPV of CST payable of INR 8,393 million, as mentioned above, and has a resultant gross IFL of INR 8,493 million (31 March 2018 : INR 6,355 million), including INR 100 million received earlier in cash, payable to GoP. The gross IFL of INR 8,493 million (31 March 2018 : INR 6,355 million) was initially recognised at fair value and the difference was treated as a deferred government grant. Subsequently the IFL is being measured at amortised cost and the deferred government grant is being released to the statement of profit and loss on a systematic basis to match them with interest costs, which they intend to compensate.

**30. Debenture Redemption Reserve (DRR)**

During the current year ended 31 March 2019, pursuant to the provisions of section 71(4) of the Companies Act, 2013, HMEI has created debenture redemption reserve amounting to INR 4,179 million (31 March 2018: INR 3,865 million). HMEI has not created DRR in the current year in view of the accumulated losses.

**31. Capital commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for amount to INR 108,727 million (31 March 2018 : INR 59,058 million) net of advances amounting to INR 7,721 million (31 March 2018: INR 2,032 million).

**32. Segment reporting**

The Group is engaged in only one segment i.e. 'Refining of crude oil' and hence there is no separate reportable segment as per Ind AS 108 'Operating segments'.

**Geographical segment**

The Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments:

Particulars	Non-current operating assets		Revenue	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
India	298,903	248,208	619,750	398,272
Outside India	-	-	4,030	1,159
	<b>298,903</b>	<b>248,208</b>	<b>623,780</b>	<b>399,431</b>

Note: Non-current operating assets includes property, plant and equipment, intangible assets (net of depreciation and amortisation cost)

Revenue of INR 561,876 million (31 March 2018 : INR 364,954 million) in the crude oil refining segment is from a single customer. No other single customer contributed to ten percent or more to the Group's revenue for the year ended 31 March 2019 and 31 March 2018.



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**33. Contingent liabilities not provided for and other litigations****(a) Contingent liabilities - Claims against the Group not acknowledged as debt.**

S.No.	Particulars	31 March 2019	31 March 2018
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation	372	330
3.	Claims raised by project vendors	2,794	2,764
4.	Penal demand raised by income tax department	18	323
5.	Demand for service tax and penalty raised by service tax department	358	357
6.	Disallowance of cenvat credit including interest and penalty by department	1,068	1,067

Based on a review of the legal position, the management believes that it is possible, but not probable, that the demands mentioned above will arise and accordingly no provision for any liability has been made in these consolidated financial statements.

**(b) Other litigations**

Additionally, the Group has some other tax disputes of INR 729 million (31 March 2018 : INR 729 million) against which liability has been assessed as probable and adequate provisions have been made with respect to the same.

**34. Details of dues to Micro and Small Enterprises as per Micro, Small And Medium Enterprises Development (MSMED) Act, 2006**

There are no material dues owed by the Group to Micro and Small enterprises, which are outstanding for more than 45 days during the year and as at 31 March 2019. This information as required under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Group and has been relied upon by the auditors.

Particulars	31 March 2019	31 March 2018
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.		
i) Principal amount due to micro and small enterprise	Nil	Nil
ii) Interest due on above	Nil	Nil
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
v) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act	Nil	Nil

**35. Leases: Operating leases**

The Group has entered into lease arrangements for office premises, guest houses and car terms varying between 3 to 6 years. There are no restrictions imposed by lease arrangements. There are no subleases. There is no contingent rent. The lease agreements do not carry any significant escalation clause. The operating lease payment recognised in the consolidated statement of profit and loss of the Group amounts to INR 314 million (31 March 2018 : INR 252 million). The future minimum lease amounts under non cancellable operating leases and operating leases having lock in periods are as follows:

Particulars	31 March 2019	31 March 2018
Not later than one year	76	72
Later than one year and no longer than five years	170	193
Later than five years	252	276



36. Summary of the financial information of the subsidiary of the Company included in these consolidated financial statements as required under form AOC-1 of the Companies Act 2013 is as under (without considering intra group elimination):

Particulars	31 March 2019	31 March 2018
Share capital	12,230	12,230
Other equity	(1,075)	(2,754)
Total assets	39,733	39,405
Total liabilities	28,578	29,929
Revenue from operations	10,985	7,755
Profit/(loss) before taxation	2,610	(21)
Tax expense/(credit)	930	(1,333)
Profit/(loss) after taxation	1,680	1,312
% of shareholding	100%	100%

37. Additional statutory information in respect of the components of the Group

Particulars	Net Assets/(Liabilities) (total assets minus total liabilities)			
	31 March 2019		31 March 2018	
	Amount	As % of Consolidated net assets/(liabilities)	Amount	As % of Consolidated net assets/(liabilities)
HMEL	106,748	101	94,976	103
HMPL	11,155	11	9,476	10
Sub Total	117,903	112	104,452	113
Elimination *	(12,405)	(12)	(12,357)	(13)
Consolidated	105,498	100	92,095	100

Particulars	Share in total comprehensive income			
	31 March 2019		31 March 2018	
	Amount	As % of consolidated profit/(loss)	Amount	As % of consolidated profit/(loss)
HMEL	13,004	89	15,066	93
HMPL	1,679	11	1,311	8
Sub Total	14,683	100	16,377	101
Elimination *	(50)	-	(87)	(1)
Consolidated	14,633	100	16,290	100

\* Adjustments for intra group transaction and/or balances

38. Events after the reporting period

Dividend

The Board of Directors of HMEL has proposed a dividend of INR 0.127 per share amounting to INR 1,021 million (excluding Dividend distribution tax) for the year ended 31 March 2019 (31 March 2018: INR 0.126 per share amounting to INR 1,020 million) on fully paid equity shares which is subject to approval by the shareholders at the Annual General Meeting. This has not been included as liability in these consolidated financial statements.

For and on behalf of the Board of Directors of  
HPCL-Mittal Energy Limited

  
Rajar Tandon  
Director  
DIN 01968916

Place: New Delhi

  
Harak Banthia  
Chief Financial Officer

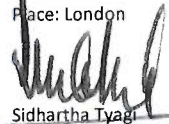
Place: New Delhi  
Date: 2 May 2019

  
R. Kesavan  
Director  
DIN 08202118

Place: New Delhi

  
Prabh Das  
Managing Director &  
Chief Executive Officer  
DIN 00164799

Place: London

  
Sidhartha Tyagi  
Company Secretary  
Membership No. A 14544

Place: New Delhi

