

INDEPENDENT AUDITOR'S REPORT

To the Members of HPCL – Mittal Energy Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of HPCL – Mittal Energy Limited (hereinafter referred to as “the Holding Company”), its subsidiaries (the Holding Company and its subsidiaries together referred to as “the Group”), comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as “the consolidated Ind AS financial statements”).

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 (“the Act”) that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read the Companies (Indian Accounting Standard) Rules, 2015, as amended. 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 of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's



Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at March 31, 2017, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, 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 purpose of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company and subsidiary company as on March 31, 2017 taken on record by the respective Board of Directors of the Holding Company and subsidiary company, none of the directors of the Group's companies, is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary company, refer to our separate report in "Annexure 1" to this report;
- (g) 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, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, – Refer Note 33 to the consolidated Ind AS financial statements;
 - ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-



term contracts including derivative contracts – Refer Note 11 and Note 12 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group;

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiaries, incorporated in India during the year ended March 31, 2017.
- iv. The Holding Company and its subsidiary, have provided requisite disclosures in Note 38 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Group including its associates and jointly controlled entities and as produced to us by the Management of the Holding Company.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005


per Naman Agarwal
Partner

Membership Number: 502405



Place of Signature: Mumbai

Date: 19 May 2017

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HPCL-MITTAL ENERGY LIMITED**Report on the Internal Financial Controls 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 HPCL-Mittal Energy Limited ("the Company") as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of HPCL-Mittal Energy Limited (hereinafter referred to as the "Holding Company") and its subsidiary company, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary company, which is a company incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company 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. 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 Act.

Auditor's Responsibility

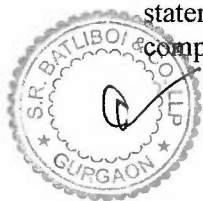
Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, 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.

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, the Holding Company and its subsidiary company which is a company incorporated in India, have, maintained 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 at March 31, 2017, based on the internal control over financial reporting criteria established by the Holding Company 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.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per Naman Agarwal

Partner

Membership Number: 502405



Place of Signature: Mumbai

Date: 19 May 2017

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

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

	Note	31 March 2017	31 March 2016	1 April 2015
ASSETS				
Non-current assets				
Property, plant and equipment	3.1	213,261	225,769	230,093
Capital work in progress	3.2	18,922	5,126	1,080
Intangible assets	4	350	603	926
Financial assets				
Loans and advances	5.1	178	196	200
Other bank balances	5.2	27	27	27
Other financial assets	5.6	281	3	1
Deferred tax assets (net)	6	11,645	18,637	22,503
Tax assets (net)	7	489	532	478
Other non-current assets	8	902	882	765
		246,055	251,775	256,073
Current assets				
Inventories	9	58,912	32,618	46,308
Financial assets				
Investments	5.3	-	-	3,142
Trade receivables	5.4	13,536	12,922	15,723
Cash and cash equivalents	5.5	726	122	648
Other bank balances	5.2	897	893	3,119
Loans and advances	5.1	3	3	3
Other financial assets	5.6	257	82	5,264
Other current assets	8	3,101	1,288	1,857
		77,432	47,928	76,064
TOTAL ASSETS		323,487	299,703	332,137
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	10	80,411	80,411	75,415
Other equity		(4,606)	(35,502)	(51,453)
		75,805	44,909	23,962
Liabilities				
Non-current liabilities				
Financial Liabilities				
Borrowings	11.1	168,715	178,458	222,429
Trade payables	11.3	-	51	144
Other financial liabilities	11.4	22	644	588
Provisions	12	893	740	516
Deferred tax liabilities (net)	6	2,989	3,070	2,254
Other non current liabilities	13	2,864	2,405	1,845
		175,483	185,368	227,776
Current liabilities				
Financial Liabilities				
Borrowings	11.2	20,475	25,752	42,016
Trade payables	11.3	34,535	21,862	26,367
Other financial liabilities	11.4	10,647	17,431	8,448
Other current liabilities	13	5,371	4,013	2,980
Provisions	12	344	320	588
Current tax liabilities (net)	14	827	48	-
		72,199	69,426	80,399
TOTAL EQUITY AND LIABILITIES		323,487	299,703	332,137

The accompanying notes are an integral part of these financial statements.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration no. 301003E/E300005

per Namak Agarwal

Partner

Membership No. 502405



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

M. K. Surana

Chairman

DIN 07464675

Rajan Tandon

Director

DIN 01968916

Prabin Das

Managing Director &

Chief Executive Officer

DIN 00164799

Place: Mumbai

Date: 19 May 2017

Sidhartha Tyagi

Company Secretary

Membership No. A 14544

Harak Banthia

Chief Financial Officer



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

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

	Notes	31 March 2017	31 March 2016
Income			
Revenue from operations	15	424,886	403,277
Other income	16	8,746	8,308
Total Income		433,632	411,585
Expenses			
Cost of raw materials consumed	17	214,426	228,121
(Increase)/ decrease in inventories	18	(11,401)	4,467
Excise duty on sale of goods		153,149	113,743
Employee benefit expenses	19	2,527	2,385
Finance costs	22	10,731	17,118
Depreciation and amortisation expense	21	11,387	11,472
Other expenses	20	10,287	13,119
Exploration costs written off		14	255
Total Expenses		391,120	390,680
Profit before tax		42,512	20,905
Tax expense			
Current Tax		4,695	270
Deferred tax (credit)/charge		6,911	4,682
Total tax expenses/(credit)	6	11,606	4,952
Profit for the year		30,906	15,953
Other Comprehensive Income			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement gains/ (losses) on defined benefit obligations		(13)	(3)
Income tax effect		3	1
Net other comprehensive income not to be reclassified to profit or loss in subsequent years		(10)	(2)
Total Comprehensive Income for the year		30,896	15,951
Earnings per equity share in INR computed on the basis of profit for the year	23		
Basic		3.84	2.06
Diluted		3.84	2.06

The accompanying notes are an integral part of these financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration no. 301003E/E300005

per Naman Agarwal
Partner
Membership No. 502405



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

M. K. Surana
Chairman
DIN 07464675

Rajan Tandon
Director
DIN 01968916

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Harak Banthia
Chief Financial Officer

Place: Mumbai
Date: 19 May 2017



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

(a) Equity share capital

As at 1 April 2015

Changes in equity share capital during the year

As at 31 March 2016

Changes in equity share capital during the year

As at 31 March 2017

No. million	INR million
7,541	75,415
500	4,996
8,041	80,411
-	-
8,041	80,411

(b) Other equity

Particulars

Retained Earnings

As at 1 April 2015

(51,453)

Profit for the year

15,953

Other comprehensive income for the year -

Remeasurement of defined benefit liability (net of tax)

(2)

As at 31 March 2016

(35,502)

Profit for the year

30,906

Other comprehensive income for the year -

Remeasurement of defined benefit liability (net of tax)

(10)

As at 31 March 2017

(4,606)

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration no. 301003E/5300005

per Naman Agarwal

Partner

Membership No. 502405



For and on behalf of the Board of Directors of

HPCL- Mittal Energy Limited

M. K. Surana

Chairman

DIN 07464675

Rajan Tandon

Director

DIN 01968916

Prash Das

Managing Director &

Chief Executive Officer

DIN 00164799

Place: Mumbai

Date: 19 May 2017

Sidhartha Tyagi

Company Secretary

Membership No. A 14544



Harak Banthia

Chief Financial Officer

HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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

	31 March 2017	31 March 2016
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	42,512	20,905
Adjustments for:		
Unrealized foreign exchange loss/(gain) (net)	(2,093)	(171)
Unrealised loss/(gain) on currency derivative contracts (net)	(894)	48
Unrealized loss/(gain) on commodity derivative contracts (net)	135	166
Finance costs	9,760	14,783
Depreciation and amortisation expense	11,387	11,471
Exploration costs written off	14	255
Interest Income	(120)	(731)
Gain on sale of current investments (net)	(58)	(66)
Gain on settlement of deferred sales tax loan	(5,797)	(5,533)
Exchange difference to the extent considered as an adjustment to borrowing cost	790	2,522
Operating Profit / (Loss) before working capital changes	55,636	43,649
Movements in working capital:		
(Increase)/decrease in inventories	(26,295)	13,691
(Increase)/decrease in trade receivables	(614)	2,800
(Increase)/decrease in loans and advances	16	1
(Increase) in other financial assets	(461)	5,152
(Increase)/decrease in other assets	(1,772)	482
Increase/(decrease) in trade payables	13,528	(4,538)
Increase/(decrease) in financial liabilities	(211)	223
Increase/(decrease) in provisions	173	408
Increase/(decrease) in other liabilities	1,251	939
Net cash generated from operations	41,251	62,807
Refund received / (payment) of direct taxes (net)	(3,869)	(274)
Net cash from operating activities (A)	37,382	62,533
B CASH FLOW FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(13,213)	(4,927)
Payments for exploration activities	(75)	(24)
Proceeds from/in short term investment (mutual funds) (net)	58	3,207
Proceeds/(Investment) from/ in short term fixed deposits (net)	-	1,252
Investment in fixed deposits	(547)	(420)
Proceeds from maturity of fixed deposits	543	1,394
Interest received	604	208
Net cash from/ (used in) investing activities (B)	(12,630)	690
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	4,996
Proceeds from long-term borrowings	25,081	110,829
Repayment of long term borrowings	(34,849)	(147,736)
Proceeds from short-term borrowings	222,275	232,303
Repayment of short-term borrowings	(227,045)	(249,036)
Borrowing costs paid		
- Interest paid	(8,631)	(12,793)
- Others	(979)	(2,312)
Net cash from/ (used in) financing activities (C)	(24,148)	(63,749)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	604	(526)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	122	648
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	726	122



HPCL-MITTAL ENERGY LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

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

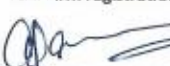
	31 March 2017	31 March 2016
Notes:		
(i) The cash flow statement has been prepared under the indirect method as set out in Ind AS 7 Cash Flow Statements.		
(ii) Amounts in brackets represent a cash outflow or a loss.		
(iii) Components of cash and cash equivalents included under cash and bank balances (note 5.5) are as under :		
Balances with scheduled banks		
-On current accounts	204	122
-Deposits with original maturity of upto 3 months	522	-
Cash and Cash Equivalents (note 5.5)	726	122

As per our report of even date

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration no. 301003E/E300005


per Naman Agarwal
Partner

Membership No. 502405



Place: Mumbai

Date: 19 May 2017

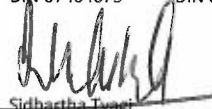
For and on behalf of the Board of Directors of

HPCL- Mittal Energy Limited

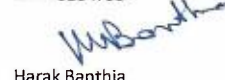

M. K. Surana
Chairman
DIN 07464675


Rajan Tandon
Director
DIN 01968916


Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799


Sidhartha Tyagi

Company Secretary
Membership No. A 14544


Harak Banthia
Chief Financial Officer



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

1. Corporate Information

HPCL-Mittal Energy Limited ('HMEI' 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. Ltd., 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 has a petroleum refinery of 9 Million Metric Tonne Per Annum (MMTPA) at Bathinda, Punjab. The Company has participating interest in one domestic E&P block at Rajasthan viz. RJ-ONN-2005/2 with a participating interest of 20% (previous year 20%) which is in the nature of jointly controlled asset and operated by third party. This block is in exploratory stage.

The Company has a wholly owned subsidiary- HPCL-Mittal Pipelines Limited ('HMPL'), domiciled in India and limited by shares. HMPL has set up a Single Point Mooring ('SPM'), crude receipt and storage facility at Mundra port, Gujarat and 1,017 kilometers cross country pipeline for transportation of crude oil. The registered office of HMPL is located at Village Phulokhari, Taluka Talwandi Saboo, Bathinda, Punjab - 151301.

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 19 May 2017.

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 Companies Act, 2013.

For all periods upto and including the year ended 31 March 2016, the Group prepared its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in India and complied with the accounting standards (Indian GAAP) as notified under Section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent applicable, and the presentation requirements of the Companies Act, 2013.

The financial statements for the year ended 31 March 2017 are the first financial statements of the Group prepared under Ind AS. Accordingly, the Group has followed the provisions of Ind AS 101 'First Time Adoption of Indian Accounting Standards', in preparing its opening Ind AS Balance Sheet as of the date of transition, i.e. 1 April 2015. Certain of the Group's Ind AS accounting policies used in the opening balance sheet differed from its Indian GAAP policies applied as at 31 March 2015, and accordingly adjustments were made to restate the opening balances as per Ind AS. As the resulting adjustments arose from events and transactions before the date of transition to Ind AS, hence as required by Ind AS 101, such adjustments were recognized directly through retained earnings as at 1 April 2015.

Refer note 40 for the effect of transition to Ind AS on the reported financial position, financial performance and cash flows of the Group.

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

(b) Basis and principles of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017.

The Company has only one subsidiary in India, HPCL- Mittal Pipelines Limited in which it holds 100% (31 March, 2016: 100%) 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:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights;
- 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.

Consolidation procedures:

- 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 recognized in the consolidated financial statements as at the acquisition date.
- Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
- 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 recognized 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 subsidiaries 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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized 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

(c) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain derivative contracts, financial assets and financial liabilities which have been measured at fair value/ amortised cost. Refer note 2(g)(4) for accounting policy regarding financial instruments.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

(d) Functional and presentation currency

The consolidated financial statements have been prepared and presented in INR, which is the Group's functional currency. All financial information presented in INR has been rounded to the nearest million. Refer note 2(g)(11) for accounting policy in respect of accounting for foreign currency transactions.

(e) 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 recognized 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 recognized in the 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 around the (i) amount of provisions and contingencies that have been recognized 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

(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 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.

f) 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 realization 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.

(g) Summary of significant accounting policies

1) Property, plant and equipment

Recognition and measurement

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

Cost comprises the purchase price, borrowing costs if capitalization criteria are met and 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.

Items such as spare parts, stand-by equipment and servicing equipment are recognized 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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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 during 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 asset are adjusted to the cost of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets 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 statement of profit and loss.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Depreciation and useful lives

Depreciation on Property, plant and equipment (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) or, in the case of certain leased furniture, fittings and equipment, the shorter lease term 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
Temporary buildings and water lines	3
Building (roads)	5
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 (hoses)**	8
Plant and equipment (lab equipment)	10
Plant and equipment (others)	15
Railway Sidings	15
Furniture and Fixtures	10
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.

** The useful lives of hoses as mentioned in Schedule II of Companies Act 2013 is higher than what has been assessed by the management.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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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 Machinery – 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.

Spares, 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 amortization and accumulated impairment losses, if any. The Group has decided to continue with the value of intangible assets recognized 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 amortization period and the amortization 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 amortization 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 recognized in the statement of profit and loss when the asset is derecognized.

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 recognized 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

A. Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit and loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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(ii) Measurement

Initial Recognition

At initial recognition, the Group measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit and loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate method. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognized in the statement of profit and loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (FVTOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the statement of profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit and loss and recognized in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity. Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.



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The Group's financial assets include Investments in mutual funds, derivative financial instruments, trade and other receivables, cash and cash equivalents and other bank balances.

(a) Investments in Mutual Funds

Investment in mutual funds are classified as fair value through profit or loss as they are held with the objective of meeting short term liquidity needs.

(b) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contracts is entered into and are subsequently re-measured at fair value. Derivative are carried as financial assets when the fair value is positive and as financial liabilities when fair value is negative. The purchase contract that meet the definition of derivative under Ind AS 109 are recognized in the statements of profit and loss.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

(c) Trade and other Receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as financial assets measured at amortised cost as they fulfill both of the following conditions:

- Such assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of such assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group recognizes these assets on the date when they are originated and are initially measured at fair value plus any directly attributable transaction costs.

(d) 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.

(e) Other bank balances

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

(iii) Impairment of financial assets

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its assets carried at amortised cost and FVTOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Also refer note 26.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate (EIR). When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument



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- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, and upon consideration of the fact that there has been no material history of defaults the Group does not estimate any provision on its outstanding trade receivables.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the group does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

(iv) Derecognition of financial assets

A financial asset is derecognized only when the Group has transferred the rights to receive cash flows from the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the Group has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

(v) Income recognition

Interest income

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. 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.

Dividends

Dividend income is recognized in the statement of profit and loss only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

B. Financial liabilities

(i) Initial recognition and measurement

The Group's financial liabilities consists of trade and other payables, borrowings, financial guarantees and derivative financial instruments (not designated as hedges) which are recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument. These are initially measured at fair value less any attributable transaction costs. Subsequent to initial measurement, trade and other payables and borrowings are measured at amortised cost using the effective interest method and derivative financial instruments (not designated as hedges) are measured at fair value through profit or loss.



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(a) Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of financial year and are presented as current liabilities unless payment is not due within 12 months after the reporting period. These are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(b) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is considered as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the Group does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Borrowing costs

Borrowing cost includes interest expense as per effective interest rate (EIR) 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 capitalization.

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.

(c) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss.



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(ii) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

C. Reclassification of financial assets

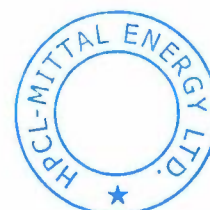
The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognized in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognized in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

D. Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

5) 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.

6) Government grants and subsidies

Grants and subsidies (including incentives) from the government are recognized when there is 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 recognized as income on a systematic basis in the 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 recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of 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 recognized 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.

7) Provisions

A provision is recognized 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 recognized as finance cost. Provisions are reviewed by the management at each reporting date and adjusted to reflect the current best estimates.

8) 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 recognized 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 recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

9) 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 recognized 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 recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to a reduction in future payment or a cash refund.

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 recognized in the 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 statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized 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 recognized immediately in the 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 recognized in the 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

10) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. 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 and value added taxes (VAT) on behalf of the government and therefore, these are not economic benefits flowing to the Group and is excluded from revenue.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria as per the respective arrangement have been met.

11) 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 recognized in the statement of profit and loss. Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis.

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 asset are adjusted to the cost of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets 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.

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 statement of profit and loss.

12) Exploration and Development Expenditure

The Group follows the "Successful Efforts Method" of accounting for Oil & Gas exploration and production activities.

- Cost of surveys, studies, carrying and retaining undeveloped properties are expensed out in the year of incurrence.
- Cost of acquisition, drilling and development are treated as capital work in progress when incurred and are capitalised when the well is ready to commence commercial production.
- Accumulated costs on exploratory well in progress are expensed out in the year in which they are determined to be dry.
- The proportionate share in the assets, liabilities, income and expenditure of joint operations are accounted as per participating interest in such joint operations.

13) Income Taxes

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



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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 recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

Deferred tax

Deferred tax is recognized 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.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized 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 realized.

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 realized 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 (chief executive officer, chief financial officer, chief operating officer) 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

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Arrangements containing a lease have been evaluated as on the date of transition i.e. 1 April 2015 in accordance with Ind-AS 101 First-time Adoption of Indian Accounting Standard. Lease arrangements including both land and building have been separately evaluated for finance or operating lease at the date of transition to Ind ASs basis the facts and circumstances existing as at that date.

As a lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings



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or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a Lessor

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

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.

17) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Financial Risk Management Committee (FRMC) and Commodity Risk Management Committee (CRMC) determines the policies and procedures for the recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value. The FRMC/CRMC comprises of CEO, CFO, COO and other senior executives of the Group.



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At each reporting date, the FRMC/CRMC analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the FRMC/CRMC verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The FRMC/CRMC in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value only and applicable fair value disclosures, to the extent required and applicable, are given elsewhere in the notes.

18) Recent accounting pronouncements:

Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the Group from April 1, 2017.

(a) Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Group is currently evaluating the requirements of the amendment and its likely impact on the financial statements.

(b) Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

Currently, the Group has not issued any cash settled awards and thus, the amendment shall have no impact on the financial statements.



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3.1 Property, plant and equipment

	Land freehold	Buildings on freehold land	Buildings on leasehold land	Plant & equipment	Plant & equipment on leasehold land	Railway Sidings	Leasehold improvements	Office equipments	Furniture & fixtures	Computer & Peripherals	Vehicles	Total
Cost or valuation												
At 1 April 2015	7,801	7,264	658	201,308	12,198	234	18	57	133	187	235	230,093
Additions	-	703	4	683	42	-	-	104	4	23	1	1,564
Disposals	-	-	-	(133)	-	-	(3)	-	-	-	-	(136)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	200	21	4,779	338	7	-	-	-	-	-	5,345
At 31 March 2016	7,801	8,167	683	206,637	12,578	241	15	161	137	210	236	236,866
Additions	-	11	-	1,202	3	-	-	11	12	64	-	1,303
Disposals	-	-	-	(51)	-	-	-	-	(2)	-	-	(53)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	(106)	(8)	(2,462)	(132)	(4)	-	-	-	-	-	(2,712)
At 31 March 2017	7,801	8,072	675	205,326	12,449	237	15	172	147	274	236	235,404
Depreciation												
Charge for the year	-	650	146	9,360	789	18	5	41	22	66	41	11,138
Disposals	-	-	-	(40)	-	-	(1)	-	-	-	-	(41)
At 31 March 2016	-	650	146	9,320	789	18	4	41	22	66	41	11,097
Charge for the year	-	644	72	9,363	781	18	4	34	23	70	41	11,050
Disposals	-	-	-	(4)	-	-	-	-	-	-	-	(4)
At 31 March 2017	-	1,294	218	18,679	1,570	36	8	75	45	136	82	22,143
Net Block												
At 1 April 2015	7,801	7,264	658	201,308	12,198	234	18	57	133	187	235	230,093
At 31 March 2016	7,801	7,517	537	197,317	11,789	223	11	120	115	144	195	225,769
At 31 March 2017	7,801	6,778	457	186,647	10,879	201	7	97	102	138	154	213,261

Notes:

(a) The Group has adjusted exchange gain, arising on long-term foreign currency loan, amounting to INR 2,712 million (31 March 2016 : loss of INR 5,345 million) to the cost of property, plant and equipment. The Group does not have any other long-term foreign currency monetary items and hence, the amount of exchange loss deferred in the "Foreign Currency Monetary item Translation Difference Account" is Nil (31 March 2016 : Nil).

(b) For lein/charge against property, plant and equipment refer note 11.1 and 11.2



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	31 March 2017	31 March 2016
3.2 Capital work in progress		
Opening balance	5,126	1,080
Add: Additions during the year	14,826	5,296
Add: Expenditure during the year		
- Employee benefit expense (note 19)	119	86
- Finance costs * (note 22)	190	113
- Other expenses (note 20)	9	-
- Foreign exchange differences (net)	(45)	115
Less: Assets capitalised during the year	(1,303)	(1,564)
	18,922	5,126

* The rate used to determine the amount of borrowing costs eligible for capitalisation ranges to an interest rate of 3 months LIBOR plus a spread ranging from 451bps to 482bps.

4. Intangible assets

	Computer Software	Total
Gross block		
At 1 April 2015	926	926
Additions	11	11
At 31 March 2016	937	937
Additions	84	84
At 31 March 2017	1,021	1,021
Amortization		
Charge for the year	334	334
At 31 March 2016	334	334
Charge for the year	337	337
At 31 March 2017	671	671
Net block		
At 1 April 2015	926	926
At 31 March 2016	603	603
At 31 March 2017	350	350

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5. Financial assets

5.1. Loans and advances
(at amortised cost)

Unsecured and considered good

Security deposit

Non-current			Current		
31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
178	196	200	3	3	3
178	196	200	3	3	3

Loans and advances are non derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value of loans and advances may be affected by changes in the credit risk of the counterparties. Refer note 26 for the credit risk exposure.

5.2. Other bank balances

– Deposits with original maturity of upto 3 months (pledged with banks)

– Deposits with original maturity for more than 3 months but upto 12 months (pledged with banks)

– Deposits with original maturity of more than 12 months*

Non-current			Current		
31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
-	-	-	-	-	1,374
-	-	-	897	473	351
27	27	27	-	420	1,394
27	27	27	897	893	3,119

*Includes deposits of Nil (31 March 2016 : INR 420 million, 1 April 2015 : INR 135 million) pledged with banks.

Refer note 26 for details regarding the nature and extent of risks arising from financial instruments to which the Group is exposed at the end of the reporting year.

5.3. Current investments

Investments in Mutual Funds (at fair value through profit and loss)

Quoted Mutual Funds

SBI Mutual Fund

Current		
31 March 2017	31 March 2016	1 April 2015
-	-	3,142
-	-	3,142

Investments at fair value through statement of profit and loss reflect investment in quoted mutual funds. Refer note 25 for determination of their fair values.

5.4. Trade receivables

(at amortised cost)

Unsecured and considered good

Trade receivables

Current		
31 March 2017	31 March 2016	1 April 2015
13,536	12,922	15,723
13,536	12,922	15,723

Notes :

(a) The carrying value of the trade receivables may be affected by the changes in the credit risk of the counterparties as well as the currency risk as explained in note 26.

(b) The trade receivables are offered interest free credit period of 0 to 60 days. All the above receivables are within the said credit period. Interest is charged only on overdue trade receivables.

(c) For terms and conditions relating to a related party receivable, refer note 24.

5.5. Cash and cash equivalents

Balances with banks:

– On current accounts

– Deposits with original maturity of upto 3 months

Current		
31 March 2017	31 March 2016	1 April 2015
204	122	247
522	-	401
726	122	648

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.

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5.6. Other financial assets

	Non-current			Current		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Derivative instruments at fair value through profit or loss						
Derivatives not designated as hedges						
Foreign exchange option contracts	-	-	-	-	-	7
Interest rate swaps	276	-	-	-	-	-
	276	-	-	-	-	7
Other financial assets (at amortised cost)						
Insurance claim receivable	-	-	-	-	-	5,108
Interest accrued but not due	5	3	1	39	49	79
Balance recoverable on settled derivative contracts	-	-	-	218	33	70
	5	3	1	257	82	5,257
	281	3	1	257	82	5,264

Derivative instruments at fair value includes positive changes for fair value of interest rate swaps taken to reduce exposure against variable interest outflow on loans. The amount of outstanding contracts as at 31 March 2017 aggregated to USD 505 million (31 March 2016 : USD Nil, 1 April 2015 : USD Nil).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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6. Income Tax

A: The major components of income tax expense are :

	31 March 2017	31 March 2016
Statement of profit and loss		
Current income tax		
Current income tax charge	4,695	270
Deferred tax		
Relating to origination and reversal of temporary differences	6,911	4,682
Income tax expense reported in statement of profit and loss	11,606	4,952
Other comprehensive income		
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on remeasurement of defined benefit plans	3	1
	3	1

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

	31 March 2017	31 March 2016
Accounting profit before income tax	42,512	20,905
At India's statutory income tax rate of 34.608% (31 March 2016: 34.608%)	14,713	7,235
Tax effect of :		
-Gain on settlement of central sales tax exempted from tax	(1,953)	(5,997)
-Foreign exchange fluctuation differences on long term borrowings :		
(i) Acquired prior to 31 March 2016 and adjusted to cost of property, plant and equipment	(938)	1,850
(ii) Acquired post 1 April 2016 and taken to statement of profit and loss	(229)	-
-Foreign exchange fluctuation differences on short term capital liabilities	-	27
-Expenses capitalised	-	1,596
-Previously unrecognised MAT recognised during the year	(205)	-
-Temporary differences reversing in tax holiday period	195	(95)
-MAT expenses on which credit not available	-	205
-Corporate social responsibility expenses	10	7
-Others	47	168
At the effective income tax rate of 27.38% (31 March 2016: 23.90%)	11,640	4,996
At India's statutory income tax rate of 23.072% (31 March 2016: 23.072%)		
Indexation difference on land	(34)	(44)
	(34)	(44)
At the effective income tax rate of 27.30% (31 March 2016: 23.70%)	11,606	4,952

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

C: Movement in deferred tax balances

	31 March 2017	31 March 2016	1 April 2015
Deferred tax liabilities			
Higher value of property, plant and equipment in accounting books	34,273	33,011	28,016
Gross deferred tax liabilities	34,273	33,011	28,016
Deferred tax assets			
Derivative contracts fair valued on transition ('c')	223	223	206
Consumption of inventories to be allowed as expenditure in tax in following years	168	159	123
Exploration costs charged off	186	182	104
Unabsorbed depreciation	27,742	27,682	27,705
Carried forward tax losses	9,627	20,179	20,071
Unrealised profits on intragroup transactions	21	89	56
Unutilised MAT credit ('e')	4,961	64	-
Gross deferred tax assets	42,928	48,578	48,265
Net deferred tax assets	8,655	15,567	20,249
Aggregate amount of deferred tax liability (net) in components of the Group	2,989	3,070	2,254
Aggregate amount of deferred tax asset (net) in components of the Group	11,645	18,637	22,503
Net deferred tax assets	8,656	15,567	20,249

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 relate to income taxes levied by the same tax authority.

(b) HPCL-Mittal Energy Limited ('HMEI') has entered into a fifteen year product off take agreement, starting from November 2012, 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.

(c) The Company has recognised mark to market losses of INR 644 million on 31 March 2016 on derivative contracts which were outstanding as at year end. The same would be allowed as an expenditure upon final settlement.

(d) Reduction in carry forward tax losses includes tax credit on employee benefits of INR 3 million (31 March 2016 : INR 1 million) which has been recorded in OCI. The remaining charge of INR 6,911 million (31 March 2016 : INR 4,682 million) in deferred tax assets has been recorded in the statement of profit and loss.

(e) Previously paid MAT of INR 205 million has been recognised as a deferred tax asset in the current year pursuant to increase in carry forward period to 15 years from 10 years.

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

7. Tax assets (net)

	Non-current		
	31 March 2017	31 March 2016	1 April 2015
Advance income-tax (net of provision)	489	532	478
	489	532	478

8. Other assets

	Non-current			Current		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Unsecured and considered good						
Capital advances	378	316	285	-	-	-
Advances other than capital advances	166	164	152	71	102	78
	544	480	437	71	102	78
Others						
Balances with statutory/government authorities	87	87	-	2,377	458	919
Prepaid expenses	271	315	328	643	720	850
Export incentive receivable	-	-	-	10	8	10
	358	402	328	3,030	1,186	1,779
	902	882	765	3,101	1,288	1,857

9. Inventories

	31 March 2017	31 March 2016	1 April 2015
Raw materials	31,347	15,942	25,008
Work-in-progress	10,875	5,500	8,184
Finished goods	11,535	5,509	7,292
Stores and spares	5,155	5,667	5,824
	58,912	32,618	46,308

(a) Raw material includes stock in transit of INR 6,452 million (31 March 2016: Nil, 1 April 2015 : INR 3,171 million) .

(b) The Group has recognised an expenses of INR 713 million (31 March 2016 : INR 5 million) with respect to inventories being recorded at net realisable values.

(c) The inventories of the Group have been pledged as securities against borrowings. Refer note 11.1 and 11.2.

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

10. Equity share capital

	31 March 2017	31 March 2016	1 April 2015
(a) Authorised shares (No. million)			
10,000 (31 March 2016 : 10,000, 1 April 2015 : 10,000) equity shares of INR 10 each	100,000	100,000	100,000
(b) Issued, subscribed and fully paid up shares (No. million)			
8,041 (31 March 2016 : 8,041, 1 April 2015 : 7,541) equity shares of INR 10 each	80,411	80,411	75,415
Total issued, subscribed and fully paid-up share capital	80,411	80,411	75,415

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

	31 March 2017		31 March 2016		1 April 2015	
	No. million	INR million	No. million	INR million	No. million	INR million
At the beginning of the year	8,041	80,411	7,541	75,415	7,541	75,415
Issued during the year	-	-	500	4,996	-	-
Outstanding at the end of the year	8,041	80,411	8,041	80,411	7,541	75,415

(d) Terms/ rights attached to equity shares

The Group 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 Group, 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

	31 March 2017		31 March 2016		1 April 2015	
	No. million	% holding in the class	No. million	% holding in the class	No. million	% holding in the class
Equity shares of INR 10 each fully paid						
Mittal Energy Investments Pte Ltd.	3,940	48.99%	3,940	48.99%	3,691	48.94%
Hindustan Petroleum Corporation Ltd.	3,940	48.99%	3,940	48.99%	3,691	48.94%

As per records of the Group, 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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HPCL-MITTAL ENERGY LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

11. Financial Liabilities
11.1 Long-term borrowings
 (at amortised cost)

	Non-current portion			Current maturities		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Debentures (Secured)						
2,000 (Previous year: 2,000) 4% Non Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'i')	2,735	2,542	2,366	-	-	-
3,400 (Previous year: 3400) 4% Non Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (refer 'a')	14,093	13,067	12,139	-	-	-
2,062 (Previous year: 2,170) 4% Non Convertible Debentures of INR 3 million each fully paid up (Series II) (refer 'i')	8,518	8,328	15,180	-	-	-
Debentures (Unsecured)						
Nil (Previous year: 5,000) 0% Non Convertible Debentures of INR 1 million each fully paid up (refer 'b')	-	-	4,482	-	4,915	-
Term loans (Secured)						
Indian rupee loan from banks (refer 'c')	-	3,000	80,205	-	-	-
Foreign currency loan from banks (refer 'd', 'e', 'j')	126,346	133,457	78,945	4,337	7,363	138
Term loans (Unsecured)						
Foreign currency loan from banks (refer 'f')	14,393	11,290	5,007	-	-	4,575
Indian rupee loan from banks (refer 'g')	-	4,964	22,945	-	-	-
Indian rupee loan from Government of Punjab (refer 'h')	2,630	1,810	1,160	-	-	-
	168,715	178,458	222,429	4,337	12,278	4,713
The above amount includes						
Secured borrowings	151,692	160,394	188,835	4,337	7,363	138
Unsecured borrowings	17,023	18,064	33,594	-	4,915	4,575
Less: Amount disclosed under the head "other current liabilities" (note 11.4)	-	-	-	(4,337)	(12,278)	(4,713)
Net amount	168,715	178,458	222,429	-	-	-

Notes:
With respect to loans taken by HPCL-Mittal Energy Limited :

(a) Redeemable 4 % Non Convertible Debentures (NCDs) were issued at par on 3 September 2012. These are secured by a first pari passu charge on property, plant and equipment 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) Redeemable 0% Non Convertible Debentures were issued at a discount of INR 0.24 million per debenture on 11 June 2013 and were backed by a letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Ltd., the Joint Venture partners having significant influence over the Company. The same were repaid on maturity during the year.

(c) Secured Indian rupee loan of INR 3,000 million outstanding as at 31 March 2016 was secured by a mortgage through a residual charge over current assets of the Company. The loan has been repaid during the year.

(d) Foreign currency loan from banks equivalent to INR 6,635 million as at 31 March 2016, was secured by a sub servient charge over all movable and immovable properties of the Company, both present and future. The said loan was backed by a letter of comfort from both Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte. Limited, the joint venture partners in the Company. The same has been repaid during the year.

(e) Foreign currency loan from banks equivalent to INR 113,883 million (31 March 2016 : INR 117,050 million) net of unamortised ancillary borrowing cost of INR 458 million is secured by a mortgage through a first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future, save and except current assets on which these lenders have a second pari-passu charge; however they 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. The outstanding loan is repayable as under:

(i) INR 45,819 million is repayable in 43 variable quarterly installments starting from 30 September 2017 and carries interest rate of 6 months LIBOR plus a spread ranging from 290 bps to 325 bps.

(ii) INR 33,696 million is repayable in 36 variable quarterly installments starting from 31 March 2018 and carries interest rate of 6 months LIBOR plus a spread of 300 bps.

(iii) INR 10,536 million is repayable in one bullet installment on 31 December 2019 and carries interest rate of 6 months LIBOR plus a spread of 383 bps.

(iv) INR 540 million is repayable in 7 equal half yearly installments (next installment is due on 19 September 2017) and carries a fixed interest rate of 4.35% p.a.

(v) INR 7,127 million is repayable in 35 variable quarterly installments beginning 30 June 2017 and carries an interest rate of 3 months LIBOR plus a spread ranging from 451bps to 482bps.

(vi) INR 13,786 million is repayable in 3 variable instalments from 31 March 2019 to 31 December 2020 and carries an interest rate of 6 months LIBOR plus a spread ranging from 335bps to 368 bps.

(vii) INR 2,837 million is repayable in 3 equal annual installments starting from 24 February 2022 and carries an interest rate of 6 months LIBOR plus a spread of 225bps.



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

- (f) (i) Unsecured foreign currency loan equivalent to INR 4,767 million is repayable in a bullet installment after 82 months from the final drawdown (expected repayment in March 2023). The loan carries an interest rate of 6 months LIBOR plus a spread of 240 bps.
(ii) Unsecured foreign currency loan equivalent to INR 9,626 million is repayable in two equal annual instalments on 2 February 2023 and 2 February 2024. The loan carries an interest rate of 3 months LIBOR plus a spread of 193 bps.
(iii) The foreign currency loan equivalent to INR 11,290 million outstanding as at 31 March 2016 has been prepaid during the year.
The above loans (i) and (ii) are backed by a letter of comfort from Hindustan Petroleum Corporation Limited (HPCL) and Mittal Energy Investments (MEI).
(g) Unsecured Indian rupee loan outstanding as at 31 March 2016 has been prepaid during the year.
(h) Loan from Punjab Government is interest free and is repayable in 10 equal half yearly installments commencing after 66 months from the date of disbursement. Repayment will commence from March 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) :

- (i) Secured redeemable Non-Convertible Debentures (NCDs) Series I and Series II were issued at par on 04 October 2012 and 21 August 2012 respectively. These are secured by a first pari passu charge on fixed asset 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 05 October 2022 being the 10th year from the date of allotment giving an effective interest rate 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 the debentures aggregating to INR 325 million (31 March 2016 : INR 6,240 million) before the due date of maturities. The EIR on these is 10.75% p.a..
(j) Foreign currency loan from banks equivalent to INR 16,801 million (31 March 2016 : INR 17,135 million) net of unamortised ancillary borrowing cost of INR 219 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 installment of INR 5,673 million and INR 11,347 million on 31 March 2021 and 22 April 2021 respectively.

11.2 Short-term borrowings

Short Term loans (Secured)

Foreign currency loan from banks (refer 'a')
Indian rupee loan from banks (refer 'b', 'c')
Indian rupee bill discounting

The above amount includes

Secured borrowings
Unsecured borrowings
Net amount

	31 March 2017	31 March 2016	1 April 2015
Foreign currency loan from banks (refer 'a')	17,258	20,392	37,018
Indian rupee loan from banks (refer 'b', 'c')	3,217	1,000	-
Indian rupee bill discounting	-	4,360	4,998
	20,475	25,752	42,016
Secured borrowings	20,475	25,752	42,016
Unsecured borrowings	-	-	-
Net amount	20,475	25,752	42,016

Notes :

- (a) Secured foreign currency loans from banks is secured by a first charge, ranking pari - passu amongst the lenders, on all current assets of the Company, 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 fixed assets of the Company, both present and future. The loan carries an interest rate which is determined and fixed on date of availing of the loan which is presently between 0.88% p.a. to 1.43% p.a. These loans are repayable within 28 to 177 days from the date of drawdown.
(b) INR 67 Million Indian rupee Secured rupee loans from banks is secured by a first charge, ranking pari - passu amongst the lenders, on all current assets of the Company, 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 fixed assets of the Company, both present and future. The loan carries an interest rate which is determined and fixed on date of availing of the loan which is presently at 9.25% p.a. This loans is repayable on demand.
(c) INR 3,150 Million Indian rupee working capital loan are secured by first charge, ranking pari -passu amongst the lenders, on all current assets of the Company, save and except deposits and accounts under the trust and retention account and have a second charge ranking pari-passu on all moveable and immovable fixed assets of the Company, both present and future. These loans carry an interest rate of 8.15% p.a. to 8.25%. These loans are repayable within one month from the date of disbursement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

11.3 Trade payables

	Non-current portion			Current		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Total outstanding dues of micro enterprises and small enterprises (refer note 34 for details of dues to micro and small enterprises)	-	-	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	51	144	34,535	21,862	26,367
	-	51	144	34,535	21,862	26,367

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

11.4 Other financial liabilities

	Non-Current			Current		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Financial liabilities at fair value through profit or loss						
Derivatives not designated as hedges						
Commodity forward contracts	-	-	-	135	99	21
Foreign exchange forward contracts	-	-	-	4	1	35
Interest rate swaps	22	644	588	-	-	-
	22	644	588	139	100	56
Other financial liabilities at amortised cost						
Current maturities of long-term borrowings (note 11.1)	-	-	-	4,337	12,278	4,713
Security deposits received	-	-	-	177	186	141
Commodity hedging payable	-	-	-	-	374	83
Liability towards project vendors	-	-	-	4,846	3,009	2,299
Liability towards exploration activities *	-	-	-	180	242	11
Interest accrued but not due on borrowings	-	-	-	968	1,242	1,049
Liability towards upfront fees	-	-	-	-	-	96
	-	-	-	10,508	17,331	8,392
	22	644	588	10,647	17,431	8,448

* The time period for Phase I exploration in RJ-ONN-2005/2 block has expired and hence the Company has recorded a liability of INR 163 million (31 March 2016 : INR 163 million, 1 April 2015 : Nil) representing the Company's obligation towards the minimum work programme. The Company is yet to take a final decision on whether to continue with exploration activities in respect of the said block.

Financial liabilities at fair value through profit or loss

Derivative instruments at fair value through profit or loss reflect the negative change in fair value of those foreign exchange forward contracts and commodity forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to :

- hedge its foreign currency exposure. The aggregate amount of forward contracts outstanding are for JPY buy/USD sell of equivalent USD 8 million (31 March 2016 : USD 11 million, 1 April 2015 : USD Nil) and USD buy/ INR sell of USD Nil (31 March 2016 : USD Nil, 1 April 2015 : USD 113 million)
- safeguard the discount percentage on purchase of crude oil. Quantity of outstanding crude oil hedged on 31 March 2017 is Nil (31 March 2016 : 1,450,000 bbl, 1 April 2015 : 1,400,000 bbl).
- remove time spreads to remove pricing exposure mismatches. Quantity of outstanding crude oil hedged as on 31 March 2017 is 2,950,000 bbl (31 March 2016 : 3,450,000 bbl, 1 April 2015 : 200,000 bbl).
- safeguard margins on sale of refined products . Quantity of crude oil hedged on 31 March 2017 is Nil (31 March 2016 : 200,000 bbl, 1 April 2015 : 100,000 bbl).

Derivative instruments at fair value includes positive changes for fair value of interest rate swaps taken to reduce exposure against variable interest outflow on loans. The amount of outstanding contracts as at 31 March 2017 aggregated to USD 258 million. (31 March 2016 : USD 525 million, 1 April 2015 : USD 230 million).

Refer note 26 for details regarding the nature and extent of risks arising from financial instruments to which the Group is exposed at the end of the reporting year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

12. Provisions

	Non-current portion			Current		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Provision for employee benefits						
Provision for gratuity (note 28)	-	-	-	66	50	25
Provision for compensated absences	-	-	-	49	39	23
	-	-	-	115	89	48
Other provisions						
Provision towards project vendors (refer 'a')	-	-	-	229	231	540
Provision towards potential claims (refer 'b')	893	740	516	-	-	-
	893	740	516	229	231	540
	893	740	516	344	320	588

Notes :

(a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as of 31 March 2017 of INR 231 million (31 March 2016 : INR 540 million) reduced due to payments made on settlement of liabilities and no additional provision has been made during the year.

(b) The Group has made provision for potential claims that may arise upon final settlement of some of the Company's dues. The opening provision of 31 March 2017 INR 740 million (31 March 2016 : INR 516 million) has increased due to additional provision made during the year of INR 72 million (31 March 2016 : 167 million) and unwinding of discount of INR 81 million (31 March 2016 : INR 57 million). Further there has been no utilisation / reversal of the said provision during the current year.

13. Other liabilities

	Non-current portion			Current		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Advance from customers	-	-	-	309	213	199
Statutory dues payable	-	-	-	4,674	3,519	2,596
Government incentives*	2,864	2,405	1,845	388	281	185
Total Other liabilities	2,864	2,405	1,845	5,371	4,013	2,980

* Movement in government incentives

	31 March 2017	31 March 2016
At the beginning of the year	2,686	2,030
Received during the year	846	841
Released to the statement of profit and loss (note 22)	(281)	(185)
At the end of the year	3,251	2,686

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 statement of profit and loss over the period of loan.

14. Current tax liabilities

	Current		
	31 March 2017	31 March 2016	1 April 2015
Liabilities for income tax (net of taxes paid)	827	48	-
	827	48	-

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HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

15. Revenue from operations

	31 March 2017	31 March 2016
Sale of products (including excise duty)		
Finished goods	424,886	403,277
	424,886	403,277

Sale of goods includes excise duty collected from customers of INR 153,149 million (31 March 2016: INR 113,743 million).

16. Other income

	31 March 2017	31 March 2016
Gain on sale of current investments (net)	58	66
Gain on settlement of deferred sales tax loan (note 29)	5,797	5,533
Insurance claims received	33	27
Foreign exchange difference (net)	2,577	-
Fair value gain on derivative contracts (net)	-	2,374
Other non-operating income	161	127
Interest income on effective interest basis		
Bank deposits	77	139
Deposits and tax refunds	43	42
	8,746	8,308

17. Cost of raw materials consumed

	31 March 2017	31 March 2016
Inventory at the beginning of the year	15,942	25,008
Add: Purchases	229,831	219,055
Less: Inventory at the end of the year	(31,347)	(15,942)
	214,426	228,121

Note : Includes material consumed 31 March 2017 : INR 11,540 million (31 March 2016 : INR 9,007 million) as fuel for inhouse power and steam generation.

18. (Increase)/decrease in inventories

	31 March 2017	31 March 2016
Inventories at the beginning of the year		
-Work-in-progress	5,500	8,184
-Finished goods	5,509	7,292
Inventories at the end of the year		
-Work-in-progress	(10,875)	(5,500)
-Finished goods	(11,535)	(5,509)
Net (Increase)/decrease in inventories	(11,401)	4,467

19. Employee benefit expenses

	31 March 2017	31 March 2016
Salaries, wages and bonus	2,138	2,031
Contribution to provident fund	124	113
Gratuity expense (note 28)	52	46
Compensated absences	43	46
Staff welfare expenses	289	235
	2,646	2,471
Less: Transfer to capital work in progress (note 3.2)	(119)	(86)
	2,527	2,385



HPCL-MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

20. Other expenses

	31 March 2017	31 March 2016
Consumption of chemicals, stores and spares	2,312	2,822
Power & fuel	822	914
Port Charges	-	-
Repairs and maintenance		
-Buildings	11	21
-Plant and machinery	858	990
-Others	289	243
Facility maintenance	349	379
Professional and consultancy fees	248	199
Rent	257	264
Commission on Sales	161	185
Rates and taxes	19	11
Insurance	806	995
Travelling and conveyance	244	198
Sales promotion expenses	6	7
Freight Outward	293	719
Excise duty reversal on exempted finished goods	100	107
Increase/(decrease) of excise duty on inventories	1,330	849
Fair value loss on derivative contracts (net)	1,086	-
Loss on sale of property, plant and equipment (net)	48	102
Corporate social responsibility expenditure (refer note 'a' below)	30	19
Foreign exchange differences (net)	-	2,324
Miscellaneous expenses	1,027	1,771
	10,296	13,119
Less: Other expenses transferred to capital work in progress (note 3.2)	(9)	-
	10,287	13,119

a) Details of CSR expenditure

	31 March 2017	31 March 2016
Gross amount required to be spent by the Group during the year	12	-
Amount spent during the year ended on 31 March 2017	In cash	Yet to be paid
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	30	-
	30	-
Amount spent during the year ending on 31 March 2016	In cash	Yet to be paid
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	19	-
	19	-

21. Depreciation and amortisation expense

	31 March 2017	31 March 2016
Depreciation property, plant and equipment (note 3.1)	11,050	11,138
Amortisation of intangible assets (note 4)	337	334
	11,387	11,472



HPCL-MITTAL ENERGY LIMITED

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

22. Finance costs

	31 March 2017	31 March 2016
Interest cost	9,902	14,160
Exchange difference to the extent considered as an adjustment to borrowing cost	790	2,522
Bank charges	183	363
Interest rate swap - settlement	237	294
Unwinding of discount on long term provision	90	77
	11,202	17,416
Less: Interest cost capitalised (note 3.2)	(190)	(113)
Less: Government incentives (note 13)	(281)	(185)
	10,731	17,118

23. Earnings per share (EPS)

	31 March 2017	31 March 2016
The following reflects the profit/(loss) and share data used in the basic and diluted EPS computations:		
Profit after tax as per Statement of Profit and Loss (used for both calculation of basic and diluted EPS)	30,906	15,953
Weighted average number of equity shares in calculating basic and diluted EPS (in million)	8,041	7,743
Basic - Par value of INR 10 per share (in INR)	3.84	2.06
Diluted - Par value of INR 10 per share (in INR)	3.84	2.06

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HPCL- MITTAL ENERGY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017
(All amounts are in million Indian Rupees, unless otherwise stated)

24. Related Party Disclosures

Nature of Relationship	Joint Venture companies having significant influence						Key management personnel			Total		
	Hindustan Petroleum Corporation Limited (HPCL)			Mittal Energy Investments Pte Ltd. (MEI)								
	Name of Related Parties						31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Transactions during the year:												
Allocation of expenses												
Share capital issued during the year												
Share application money refunded												
Reimbursement of expenses paid/ payable												
Purchase of goods												
Purchase of services												
Security deposit repaid												
Sale of goods												
Sales of Spares												
Key management personnel compensation												
(a) short-term employee benefits												
(b) post-employment benefits												

Name of related Parties	Hindustan Petroleum Corporation Limited (HPCL)				Mittal Energy Investments Pte Ltd. (MEI)				Total	
	31 March 2017	31 March 2016	1 April 2015		31 March 2017	31 March 2016	1 April 2015			
Balance outstanding as at the year end:										
Amounts receivable	13,213	12,125	14,485		-	-	-	13,213	12,125	14,485
Amounts payable	83	81	124		-	1	-	83	82	124

(a) Terms and conditions of transactions with related parties

- 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 are settlement occurs in cash.

- HPCL and MEI have issued letters of comfort for loans taken by the Company as described in note 11.1

- There have been no guarantees provided or received for any related party receivables or payables. However, 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 2017 (and any of the previous years) the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period.

(b) Remuneration paid to directors does not includes provision made for leave encashment and gratuity as the same are determined for the company as a whole.

(c) Government of India (GOI), is also a related party by virtue of its control over HPCL, who has a significant influence over the Company. The Company has entered into multiple transactions, including but not restricted to purchase and sale of goods and services (including capital goods) and availed loans and paid/accrued interest on the same with GOI and entities who are related parties of the GOI.



25. Fair value Hierarchy

a) Financial instruments by category

	31 March 2017		31 March 2016		1 April 2015	
	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Amortised cost
Financial Assets						
Loans and advances	-	181	-	199	-	203
Investments in Mutual Funds	-	-	-	-	3,142	-
Trade and other receivables	-	13,536	-	12,922	-	15,723
Cash and cash Equivalents	-	726	-	122	-	648
Other bank balances	-	924	-	920	-	3,146
Derivatives not designated as hedges	276	-	-	-	7	-
Other financial assets	-	262	-	85	-	5,258
Total Financial Assets	276	15,629	-	14,248	3,149	24,978
Financial Liabilities						
Borrowings (including current maturities)	-	193,527	-	216,488	-	269,158
Trade payables	-	34,535	-	21,913	-	26,511
Derivatives not designated as hedges	161	-	744	-	644	-
Other financial liabilities	-	6,171	-	5,053	-	3,679
Total Financial Liabilities	161	234,233	744	243,454	644	299,348

The following explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value through profit or loss. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial investments into the three levels prescribed under the accounting standard.

b) Fair value measurement hierarchy for assets and liabilities

Financial assets and liabilities measured at fair value at 31 March 2017

	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivatives not designated as hedges	-	276	-	276
Financial Liabilities				
Derivatives not designated as hedges	-	161	-	161

Financial liabilities measured at fair value at 31 March 2016

	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Derivatives not designated as hedges	-	744	-	744

Financial assets and liabilities measured at fair value at 1 April 2015

	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments in Mutual Funds	3,142	-	-	3,142
Derivatives not designated as hedges	-	7	-	7
Financial Liabilities				
Derivatives not designated as hedges	-	644	-	644



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

Notes:

Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price and are valued using the closing NAV.

Level 2 hierarchy includes the fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) and the fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Currently, the Group does not have any such financial instruments.

There are no transfers between levels 1 and 2 during the year. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

c) Valuation techniques used to determine fair value through profit or loss for financial instruments

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- the fair value of forward foreign exchange contracts and principal swap is determined using forward exchange rates at the balance sheet date.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

d) Financial assets and liabilities measured at amortised cost

Fair value of financial assets and liabilities measured at amortised cost

	31 March 2017		31 March 2016		1 April 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Loans and advances	181	181	199	199	203	203
Trade and other receivables	13,536	13,536	12,922	12,922	15,723	15,723
Cash and cash Equivalents	726	726	122	122	648	648
Other bank balances	924	924	920	920	3,146	3,146
Other financial assets	262	262	85	85	5,258	5,258
Total Financial Assets	15,629	15,629	14,248	14,248	24,978	24,978
Financial Liabilities						
Borrowings (including current maturities)	193,527	205,674	216,488	221,449	269,158	275,282
Trade payables	34,535	34,535	21,913	21,913	26,511	26,511
Other financial liabilities	6,171	6,171	5,053	5,053	3,679	3,679
Total Financial Liabilities	234,233	246,380	243,454	248,415	299,348	305,472

(i) The carrying amounts of trade receivables, trade payables, capital creditors, bank balances and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature. The fair values for security deposits are calculated based on cash flows discounted using a current lending rate.

(ii) The fair values of non-current borrowings are based on discounted cash flows using a 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.

(iii) For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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 CEO, CFO, COO 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.

Below table explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk (refer 'a' below)	Derivative and non-derivative financial assets.	- Aging analysis - Credit ratings - Creditworthiness check	- Diversification of bank for deposits & investments - Credit limits and - Letters of credit
Liquidity risk (refer 'b' below)	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign currency exchange (refer 'c.1' below)	Future commercial transactions Recognised financial assets and liabilities not denominated in Indian rupee (INR)	- cash flow forecasting - Sensitivity analysis	Forward foreign exchange contracts
Market risk – interest rate (refer 'c.2' below)	Long-term borrowings at variable interest rates	Sensitivity analysis	Interest rate swaps
Market risk - commodity price, basis or timing risk (refer 'c.3' below)	Purchases of crude oil	- cash flow forecasting - Sensitivity analysis	Commodity derivative contracts

(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.

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.

As at 31 March 2017, the Group has one customer (31 March 2016: one customer; 1 April 2015: one customer) that accounts for more than 90% (31 March 2016: more than 90%; April 1, 2015: more than 90%) of the trade receivables.

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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

(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 the Group's financial liabilities are presented below:-

31 March 2017	Contractual cash flows				
	Less than 1 year	1-3 years	3-8 years	Above 8 years	Total
Non-derivative financial liabilities					
Borrowings (including current maturities)	32,002	68,788	127,676	19,909	248,375
Trade payable	34,535	-	-	-	34,535
Other financial liabilities	6,171	-	-	-	6,171
Derivative financial liabilities	139	22	-	-	161

31 March 2016	Contractual cash flows				
	Less than 1 year	1-3 years	3-8 years	Above 8 years	Total
Non-derivative financial liabilities					
Borrowings (including current maturities)	45,493	68,753	126,833	34,287	275,366
Trade payable	21,862	51	-	-	21,913
Other financial liabilities	5,053	-	-	-	5,053
Derivative financial liabilities	100	644	-	-	744

1 April 2015	Contractual cash flows				
	Less than 1 year	1-3 years	3-8 years	Above 8 years	Total
Non-derivative financial liabilities					
Borrowings (including current maturities)	60,288	122,338	172,223	49,038	403,887
Trade payable	26,367	144	-	-	26,511
Other financial liabilities	3,679	-	-	-	3,679
Derivative financial liabilities	56	588	-	-	644

(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 reposting 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 2017 and 31 March 2016 would have affected profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

Effect in INR	Profit or loss before tax for the year ended 31 March 2017		Profit or loss before tax for the year ended 31 March 2016	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
USD	1,943	(1,943)	1,988	(1,988)
JPY	5	(5)	2	(2)
EURO	4	(4)	1	(1)
	1,952	(1,952)	1,991	(1,991)

(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 2017 would decrease/increase by INR 958 million (31 March 2016 : INR 1,255 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. 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.

Commodity derivatives are used primarily as risk management tool to safeguard the price basis risk on purchase of crude oil, price timing mismatches on inventory (other than normal inventory) and safeguard margins on sale of refined products.

HMEL employs specific financial instruments namely time swaps, basis swaps for crude and product swaps for hedging its risk related to commodities. On 31 March 2017 time swaps remained unsettled. (Previous year time swap, basis swap and product swap was unsettled). The impact of increase/decrease by \$/1/bbl in crude price is INR 191 million (31 March 2016 : INR 229 million), increase/decrease by \$/1/bbl in Dated Brent Dubai differential is Nil (31 March 2016 : INR 96 million), increase/decrease by \$/1/bbl in Singapore Gasoline 92 RON cracks is Nil (31 March 2016 : INR 13 million) on unsettled hedges as on 31 March 2017 assuming all other variables remain constant. The impact of increase/decrease would offset 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 2017, 31 March 2016 and 1 April 2015.

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

	31 March 2017	31 March 2016	1 April 2015
Equity including retained earnings (a)	90,198	61,859	41,295
Long term borrowings (b)	158,659	173,785	209,809
Total capital (c) = (a) + (b)	248,857	235,644	251,104
Long term borrowings (b) / Total capital (c)	64%	74%	84%

Borrowing backed by letter of comfort from Hindustan Petroleum Corporation Limited (HPCL) and Mittal Energy Investments (MEI), aggregating to INR 14,393 million (31 March 2016 : INR 16,950 million, 1 April 2015 : INR 17,333 million) has been treated as equity and excluded from long term borrowings above.

In order to achieve this 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

28. 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 recognized in the statement of profit and loss, the funded status and amounts recognized in the balance sheet for the gratuity plans.

(i) Net employee benefit expenses recognized in employee cost

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

Particulars	31 March 2017	31 March 2016
Current service cost	47	44
Net interest expenses	5	2
Amount to be recognised in profit and loss	52	46

(b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2017	31 March 2016
Expected return on plan assets (excluding amounts included in net interest expense)	4	*
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	-	-
- From changes in financial assumptions	(17)	(15)
- Experience adjustments	*	12
Amount to be recognized in other comprehensive income	(13)	(3)

(ii) Benefit assets/liability

Particulars	31 March 2017	31 March 2016	1 April 2015
Present value of defined benefit obligation	266	194	146
Fair value of plan assets	200	144	121
Plan assets / (liability)	(66)	(50)	(25)

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 2017	31 March 2016	1 April 2015
Opening defined benefit obligation	194	146	126
Current service cost	47	44	38
Interest cost	15	13	11
Benefits paid	(7)	(12)	(15)
Actuarial (gain)/loss on obligation	17	3	(14)
Closing defined benefit obligation	266	194	146

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

Particulars	31 March 2017	31 March 2016	1 April 2015
Opening fair value of plan assets	144	121	105
Expected return	11	10	10
Contributions by employer	48	25	21
Benefits paid	(7)	(12)	(15)
Actuarial gain/(loss)	4	*	*
Closing fair value of plan assets	200	144	121

* Amounts are less than INR 0.5 million.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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

Particulars	31 March 2017	31 March 2016	1 April 2015
Discount rate	7.35%	7.90%	8.50%
Future salary increase	6.50%	6.50%	6.50%
Attrition rate			
- Up to 30 years	3.00%	3.00%	3.00%
- From 31 to 44 years	2.00%	2.00%	2.00%
- Above 44 years	1.00%	1.00%	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.

(iv) A quantitative sensitivity analysis of the changes in the defined benefit obligation due to changes in significant assumption as at 31 March 2017 is as shown below:

Assumptions	Sensitivity Level	31 March 2017	31 March 2016
Discount rate	0.5 % increase	(16)	(17)
	0.5 % decrease	17	19
Future salary increases	0.5 % increase	12	19
	0.5 % decrease	(12)	(17)

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 recognized in the 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 2017	31 March 2016	1 April 2015
Investment with insurer	100%	100%	100%

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

(vi) Risk exposure

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility:- The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk with derivatives to minimise risk to an acceptable level. A portion of the funds are invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The Group has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The Group intends to maintain the above investment mix in the continuing years.

Changes in bond yields : A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risks : In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The pension plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the employee benefit plans.

Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group uses derivatives to manage some of its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.



HPCL-MITTAL ENERGY LIMITED

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(vii) The Group expects to contribute INR 59 million (31 March 2016 : INR 43 million, 1 April 2015 : INR 35 million) towards the plan assets in the next one year.

(viii) Maturity profile of defined benefit obligation

Year	31 March 2017
(a) April 2017- March 2018	29
(b) April 2018- March 2019	3
(c) April 2019- March 2020	6
(d) April 2020- March 2021	10
(e) April 2021- March 2022	9
(f) April 2022- March 2023	11
(g) April 2023 onwards	198
	266

(ix) The average duration of the defined benefit plan obligation at the end of the reporting period is 20.37 years (31 March 2016 : 20.55 years) of the Group and 21.02 years (31 March 2016 : 19.87 years) of HMPL.

*Amounts are less than INR 0.5 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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 in line with the above option has settled gross CST liability of INR 29,639 million (31 March 2016 : INR 22,463 million, 1 April 2015 : INR 15,772 million) as at 31 March 2017, for a Net Present Value (NPV) of INR 4,998 million (31 March 2016 : INR 3,619 million, 1 April 2015 : INR 2,460 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, an amount of INR 5,797 million (31 March 2016 : INR 5,533 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 recognized 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 2017 an amount of INR 12,500 million (31 March 2016 : 10,833 million, 1 April 2015 : INR 8,333 million) was due to the Company towards IFL against which an amount of INR 100 million only was disbursed. 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 4,998 million, as mentioned above, and has a resultant gross IFL of INR 5,098 million (31 March 2016 : INR 3,719 million, 1 April 2015 : INR 2,560 million), including INR 100 million received earlier in cash, payable to GoP. The gross IFL of INR 5,098 million (31 March 2016 : INR 3,719 million, 1 April 2015 : 2,560 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

Debenture redemption reserve, as required to be created pursuant to the provisions of section 71(4) of the Companies Act, 2013, has not been created in view of accumulated losses.

31. Capital commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for amount to INR11,248 million (31 March 2016 : INR 3,883 million, 1 April 2015 : INR 6,765 million)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017
(All amounts are in million Indian Rupees, unless otherwise stated)

32. Segment reporting

For management purposes, the Group is organised into business units based on its products and has two reportable segments, as follows:

- Crude Oil refining

The Group has a petroleum refinery of 9 Million Metric Tonne Per Annum (MMTPA) at Bathinda, Punjab.

-Exploration & Production of crude oil

The Group has participating interest in one domestic E&P block at Rajasthan viz. RJ-ONN-2005/2 with a participating interest of 20% (previous year 20%) which is in the nature of jointly controlled asset and operated by third party. This block is in exploratory stage.

The leadership team (chief executive officer, chief financial officer, chief operating officer) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss.

No operating segments have been aggregated to form the above reportable operating segments.

Particulars	Crude Oil refining		Exploration & Production of crude oil		Total	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Revenue						
External revenue	424,886	403,277	-	-	424,886	403,277
Total revenue	424,886	403,277	-	-	424,886	403,277
Result						
Segment profit / (loss)	43,972	34,794	(14)	(255)	43,958	34,539
Add: Unallocated income					3,310	(2,296)
Operating profit / (loss)					47,268	32,243
Finance cost					(10,731)	(17,118)
Interest income					120	181
Gain on sale of current investments (net)					58	66
Gain on settlement of deferred sales tax loan					5,797	5,533
Profit / (loss) before tax					42,512	20,905
Tax charge/ (credit)					11,606	4,952
Net profit / (loss) for the year					30,906	15,953
Capital expenditure	12,449	10,997	14	255	12,463	11,252
Depreciation	11,387	11,472	-	-	11,387	11,472
Exploration costs written off	-	-	14	255	14	255

Note: Capital expenditure includes exchange differences that have been capitalised.

Other information

Particulars	Crude Oil refining			Exploration & Production of crude oil			Total		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Segment assets	309,383	279,440	302,134	-	-	-	309,383	279,440	302,134
Unallocated assets	-	-	-	-	-	-	14,104	20,263	30,003
Total assets	309,383	279,440	302,134	-	-	-	323,487	299,703	332,137
Segment liabilities	45,935	31,017	33,543	180	242	11	46,115	31,259	33,554
Unallocated liabilities	-	-	-	-	-	-	201,567	223,535	274,621
Total liabilities	45,935	31,017	33,543	180	242	11	247,682	254,794	308,175

Revenue of INR 376,309 million (31 March 2016 : INR 342,073 million) in the crude oil refining segment is from a single customer.

Geographical Segments

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 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016
India	232,533	231,498	232,099	423,602	397,866
Outside India	-	-	-	1,284	5,411
Total	232,533	231,498	232,099	424,886	403,277

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

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 2017	31 March 2016	1 April 2015
1.	Payment of Deficit Stamp Duty on execution of Infrastructure Use agreement dated 13 May 2002 with Mundra Port & Special Economic Zone Limited – Additional Superintendent of Stamps, Gujarat vide its letter dated 8 April 2009 has called upon the Company to pay INR 10 million (INR 2 million on account of deficit Stamp Duty, and INR 8 million, on account of Penalty) in terms of the order dated 17 March 2008 passed by Chief Controlling Revenue Authority, Gujarat State. Gujarat High Court has admitted Company's writ petition challenging legality & validity of the said order of Chief Controlling Revenue Authority, Gandhinagar and stayed recovery of penalty subject to Company depositing INR 2 million with revenue authorities.	10	10	10
2.	Claims made by landowner's for additional compensation/ crop	476	476	1,232
3.	Claims raised by project vendors	2,845	2,841	2,841
4.	Penalty and interest demand raised by income tax department	306	306	253
5.	Demand for service tax and penalty raised by service tax	565	573	573
6.	Disallowance of cenvat credit / cenvat levied by excise department including interest and penalty	1,057	1,141	1,116

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 financial statements.

(b) Other litigations

Additionally, the Group has some other tax disputes of INR 688 million (31 March 2016 : INR 688 million, 1 April 2015 : INR 688 million) against which liability has been assessed as probable and adequate provisions have been made with respect to the same. Further, with respect to other litigations of INR 8 million (31 March 2016 : INR 8 million, 1 April 2015 : INR 8 million), no provision/ disclosure is required as the liability on account of the same is assessed as remote.

34. Details of dues to Micro and Small Enterprises as per MSMED Act 2006

Particulars	31 March 2017	31 March 2016	1 April 2015
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	Nil
ii) Interest due on above	Nil	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	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	Nil
v) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	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 2006.	Nil	Nil	Nil



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

35. Leases: Operating leases

The Group has entered into lease arrangements for office premises, guest houses and car terms varying between 3 to 9 years. There is an escalation clause in some of the lease agreement during the primary lease period. There are no contingent rents. There are no restrictions imposed by lease arrangements. There are no subleases. Details of non- cancellable lease is as follows:

Particulars	31 March 2017	31 March 2016	1 April 2015
Lease payments for the year	-	2	2
Future minimum lease payments:			
- Not later than one year	-	2	2
- Later than one year and not later than five year	-	-	2
- Five years and above	-	-	-

36. Summary financial information of the subsidiary of the Company included in these consolidated financial statements is as under (without considering intra group elimination):

HPCL-Mittal Pipelines Limited	31 March 2017	31 March 2016	1 April 2015
Share Capital	12,230	12,230	12,230
Reserves and surplus	(4,065)	(4,419)	(4,983)
Total Assets	41,129	40,311	44,829
Total Liabilities	32,964	32,500	37,582
Turnover	7,782	9,286	6,480
Profit/(loss) before taxation	347	1,585	(569)
Tax expense/ (credit)	(7)	1,021	342
Profit/(Loss) after taxation	354	564	(911)
% of shareholding	100%	100%	100%

Note: Amounts in bracket denotes negative amounts

37. Additional Statutory Information in respect of the components of the Group

	Net Assets/(Liabilities) (total assets minus total liabilities)					
	31 March 2017		31 March 2016		1 April 2015	
	Amount	As % of Consolidated net assets /(liabilities)	Amount	As % of Consolidated net assets /(liabilities)	Amount	As % of Consolidated net assets /(liabilities)
HMEL	79,910	105	49,496	110	29,051	121
HMPL	8,165	11	7,811	18	7,247	30
Sub Total	88,075	116	57,307	128	36,298	151
Elimination *	(12,269)	(16)	(12,398)	(28)	(12,336)	(51)
Consolidated	75,806	100	44,909	100	23,962	100

Particulars	Share in total comprehensive income			
	31 March 2017		31 March 2016	
	Amount	As % of consolidated profit/ (loss)	Amount	As % of consolidated profit/ (loss)
HMEL	30,413	99	15,449	97
HMPL	354	1	564	4
Sub Total	30,767	100	16,013	101
Elimination *	129	0	(62)	(1)
Consolidated	30,896	100	15,951	100

* Adjustments for intra group transaction and / or balances.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

38. Disclosure on Specified Bank Notes (SBNs)

During the year, the Group had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

Particulars	SBN's**	Other Denomination notes	Total
Closing cash in hand as on 8 November 2016*	-	-	-
(+) Permitted receipts*	-	-	-
(-) Permitted payments*	-	-	-
(-) Amount deposited in Banks*	-	-	-
Closing cash in hand as on 30 December 2016*	-	-	-

* Amounts are less than INR 0.5 million and hence have been reported as Nil.

** For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

39. Events after the reporting period

On 28 April 2017, the Company issued dollar-denominated 5.25 percent senior unsecured notes aggregating to US\$ 375 million to overseas investors. The Company utilised the proceeds from the offering to repay a portion of the outstanding borrowings. The notes shall mature on 28 April 2027.

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40. First time adoption of Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of the opening Ind AS balance sheet at 1 April 2015 (the Group's date of transition). In preparing its opening Ind AS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under section 133 of Companies Act 2013, read with paragraph 7 of Companies (Account) Rules 2014 ('previous GAAP' or 'Indian GAAP'). An explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

a) Ind AS optional exemptions

a.1 Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Group has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

a.2 Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Group has elected to apply this exemption for such contracts/arrangements.

a.3 Long Term Foreign Currency Monetary Items

Ind AS 101 allows a first-time adopter to continue the policy adopted for the accounting for exchange differences arising on translation of the long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per previous GAAP.

Accordingly for exchange differences arising on translation/ settlement of long-term foreign currency monetary items acquired before 1 April 2016, pertaining to the acquisition of a depreciable asset, are adjusted to the cost of the asset.

b) Ind AS mandatory exceptions

b.1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Impairment of financial assets based on expected credit loss model.

b.2 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements of Ind AS 109 retrospectively from a date the entity chooses, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

b.3 Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

c) Reconciliations between Previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

Reconciliation of total equity as reported previously (referred to as 'Previous GAAP') and as per Ind AS

Particulars	Notes to first-time adoption	31 March 2016	1 April 2015
Total equity (shareholder's funds) as per previous GAAP		54,422	31,164
Depreciation on spares and overhaul cost	d.1 and d.2	(700)	-
Discounting of long term liabilities	d.12	9	29
Fair valuation of investments	d.3	-	2
Fair valuation of derivatives	d.5	(644)	(597)
Deferred tax adjustment	d.4	(8,178)	(6,636)
Total adjustments		(9,513)	(7,202)
Total equity as per Ind AS		44,909	23,962

Reconciliation of net profit as reported previously (referred to as 'Previous GAAP') and the total comprehensive income as per Ind AS

Particulars	Notes to first-time adoption	31 March 2016
Profit after tax as per previous GAAP		18,262
Depreciation on spares and overhaul cost	d.1 and d.2	(700)
Employee benefits- actuarial (gain)/loss	d.9	4
Unwinding of discount on long term liabilities	d.12	(20)
Fair valuation of investments	d.3	(2)
Fair valuation of derivatives	d.5	(47)
Deferred tax adjustments	d.4	(1,544)
Profit as per Ind AS		15,953
Other comprehensive income (net of tax)		(2)
Total Comprehensive income for the year		15,951

d) Notes to first-time adoption:

d.1 Major inspections and overhauls

Under Ind AS 16, 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. Accordingly, the Group has estimated and attributed cost of INR 1,496 million in carrying value of property, plant and equipment as at the transition date which is being depreciated over the expected period till the next overhaul expenditure.

d.2 Spare parts

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with Ind AS 16 when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. Spare parts are generally available for use from the date of its purchase. Accordingly, spare parts recognised as property, plant and equipment shall be depreciated when the same are available for use. The Group has classified capital spares of INR 381 million from inventory to property, plant and equipment at transition date. During the financial year 2015-16, the Group has classified additional capital spares of INR 113 million from inventory to property, plant and equipment and has charged depreciation on the same.

d.3 Fair valuation of investments

Under the previous GAAP, investments in mutual funds were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in retained earnings as at the date of transition and subsequently in the profit or loss for the year ended 31 March 2016.

d.4 Deferred tax

Previous GAAP required deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period excluding permanent differences. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP, as the same were considered as permanent difference.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

Further, under Ind-AS, MAT credit entitlement has been treated as component of deferred tax and has been reflected accordingly in these financial statements. Under the Previous GAAP, the same was disclosed as a separate tax credit in the statement of profit and loss and a separate tax asset in the balance sheet. This however has no effect either on the equity or on the profit after tax as was reported under the Previous GAAP.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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

d.5 **Fair valuation of derivatives**

Under the previous GAAP, the premium or discount arising at the inception of forward exchange contract is amortized as expense or income over the life of the contract. Derivative contracts, other than foreign currency forward contracts, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. Under Ind AS, derivatives which are not designated as hedging instruments are fair valued with resulting changes being recognised in profit and loss statement.

d.6 **Retained earnings**

Retained earnings as at 1 April, 2015 has been adjusted consequent to the above Ind AS transition adjustments.

d.7 **Other comprehensive income**

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes remeasurement of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

d.8 **Excise duty**

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. There is no impact on the total equity and profit due to the said change.

d.9 **Remeasurement of post-employment benefit obligations**

Under Ind AS, remeasurement i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurement were forming part of the profit or loss for the year. There is no impact on the total equity as at 31 March 2016.

d.10 **Interest free loan**

The interest free loan from Government of Punjab (refer note 29) is measured in accordance with Ind AS 109, Financial Instruments, at amortized cost using the effective interest rate method. The loan liability is trued up every year to build up a liability over the period of the loan with a corresponding charge to Statement of Profit and loss on account of finance charge.

The benefit of the interest free loan is measured as the difference between initial carrying value of the loan at fair value in accordance with Ind AS 109 and the loan amount received. The same is classified as a government grant and is being amortised using the effective interest rate method, and is being reduced from finance costs.

d.11 **Borrowings**

Under previous GAAP, ancillary costs associated with raising of funds are amortised on a straight line basis over the period of borrowings. Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognised in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Also under Ind AS borrowings are presented net of any ancillary costs associated with raising of debt, while under previous GAAP such ancillary costs were shown as prepayments.

d.12 **Provisions**

Under Indian GAAP, the Group has accounted for provisions, including long-term provision, at the undiscounted amount. In contrast, Ind AS 37 requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. Ind AS 37 also provides that where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost.

d.13 **Statement of cash flows**

The transition from previous GAAP to Ind AS has not made a material impact on the statement of cash flows.

As per our report of even date

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm registration no. 301003E/E300005

per Naman Agarwal
Partner
Membership No. 502405



Place: Mumbai
Date: 19 May 2017

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

M. K. Surana
Chairman
DIN 07464675

Rajan Tandon
Director
DIN 01968916

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Sidhartha Tyagi
Company Secretary
Membership No. A 14544



Harak Banthia
Chief Financial Officer