

IMPORTANT

NOT FOR DISTRIBUTION IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the “**Offering Memorandum**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Memorandum. In accessing this Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THIS OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES LAWS OF APPLICABLE JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation and your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, you must comply with the following provisions. By accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to HPCL-Mittal Energy Limited and Barclays Bank PLC, Citigroup Global Markets Limited, DBS Bank Ltd., First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc, MUFG Securities Asia Limited and SBICAP (Singapore) Limited (collectively, the “**Lead Managers**”) that (1) you and any customers you represent are outside the United States and the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. You may not, nor are you authorized to, deliver or disclose the contents of this Offering Memorandum to any other person.

The materials relating to the offering of securities described in the Offering Memorandum do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Lead Managers or any affiliate of the Lead Managers is a licensed broker or dealer in that jurisdiction,

the offering shall be deemed to be made by the Lead Managers or such affiliate, as the case may be, on behalf of the issuer in such jurisdiction.

The attached Offering Memorandum is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 as implemented in member states of the European Economic Area ("EEA") (the "**Prospectus Regulation**"). The attached Offering Memorandum has been prepared on the basis that all offers of the Notes made to persons in the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

PRIIPs Regulation/Prohibition of sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to any retail investors in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in S309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

In accordance with applicable provisions of Indian regulations, only: (i) investors resident of countries that are Financial Action Task Force or International Organization of Securities Commission compliant; (ii) multilateral and regional financial institutions where India is a member country and (iii) foreign branches / subsidiaries of Indian banks, that satisfy all other conditions set out in respect of eligible investors under the Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations issued by RBI vide notification no. RBI/FED/2018-19/67 FED Master Direction No.5/ 2018-19 dated March 26, 2019, as amended from time to time are eligible to purchase the Notes. In addition, holders and beneficial owners shall be responsible for compliance with the restrictions on the ownership of the Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of the Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. Potential investors should seek independent advice and verify compliance with the Eligibility Requirements (as defined in the Offering Memorandum) prior to any purchase of the Notes.

The Offering Memorandum has not been and will not be filed, produced or made available to all as an offer document (whether a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement under the Companies Act, 2013 or any other applicable Indian laws) with the Registrar of Companies in India or the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, save and except for any information from any part of the Offering Memorandum which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, or pursuant to the sanction of any regulatory and adjudicatory body in India.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Lead Managers, any person who controls or is otherwise affiliated with any of them,

or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Lead Managers.

Actions That You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, may not be received, and even if received, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



HPCL-Mittal Energy Limited

(incorporated with limited liability under the laws of the Republic of India)

U.S.\$ 300,000,000 5.45 PER CENT. SENIOR UNSECURED NOTES DUE 2026

Issue Price per Note: 100 per cent.

The U.S.\$ 300,000,000 5.45 per cent. Senior Unsecured Notes due 2026 (the “Notes”) will bear interest at 5.45 per cent. per annum payable semi-annually in arrear on 22 April and 22 October of each year, beginning 22 April 2020. The Notes will mature on 22 October 2026.

The Notes are senior obligations of HPCL-Mittal Energy Limited (the “Issuer” or the “Company” or “HMEL”). The Notes will not be guaranteed by HPCL-Mittal Pipelines Limited, HPCL-Mittal Foundation, Hindustan Petroleum Corporation Limited, Mittal Energy Investments Pte Ltd. or the Republic of India.

We may, at our option redeem the Notes, subject to the ECB Directions (as defined herein), in whole or in part, at any time prior to 22 October 2023, at a price equal to 100.0 per cent. of the principal amount of the applicable Notes plus any accrued and unpaid interest to the redemption date, any Additional Amount and a premium as set forth in this offering memorandum (this “Offering Memorandum”). Subject to the ECB Directions, we may redeem up to 40 per cent. of the Notes at any time prior to 22 October 2023 at a redemption price of 105.45 per cent. of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, in each case, with the net cash proceeds from certain kind of equity offerings. In addition, at any time on or after 22 October 2023, subject to the ECB Directions, we may redeem the Notes, in whole or in part, at the redemption prices specified under “Terms and Conditions of the Notes—Optional Redemptions” plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed. Upon the occurrence of a Change of Control Triggering Event (as defined herein), the Issuer must make an offer to repurchase all Notes outstanding at a purchase price equal to 101.0 per cent. of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase, subject to the ECB Directions.

The Notes are (1) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness (as defined herein) of the Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (3) effectively subordinated to all existing and future obligations of any subsidiary (as defined herein) that does not guarantee the Notes and (4) effectively subordinated to all existing and future secured obligations of the Issuer to the extent of the value of collateral securing such obligations.

For a more detailed description of the Notes, see “Terms and Conditions of the Notes”.

Investing in the Notes involves risks. See “Risk Factors”.

Approval-in-principle has been received for the listing of and quotation for the Notes on Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST and any quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies or the Notes.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act (“Regulation S”). For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum, see “Subscription and Sale” and “Transfer Restrictions”.

This Offering Memorandum is not an advertisement and is not a prospectus for the purpose of the Prospectus Regulation (EU) 2017/1129.

The Notes will not be offered or sold, directly or indirectly, in India or to, or for the account or benefit of, any resident in India, except in accordance with private placement exemptions and exchange control restrictions in India. This Offering Memorandum has not been and will not be approved or authorized by or filed with, and will not be filed as a prospectus or a statement in lieu of prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies, Securities Exchange Board of India or Reserve Bank of India or any other regulatory authority in India, in accordance with the Companies Act, 2013 and other applicable laws in India for the time being in force. Neither our Company nor the Lead Managers have circulated or distributed, nor will they circulate or distribute, this Offering Memorandum or any material relating thereto, directly or indirectly, to the public or any members of the public in India.

The Notes will be evidenced by a global note (the “Global Note”) in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 22 October 2019 with a common depository for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders.

Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers

Barclays

Citigroup

J.P. Morgan

Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd.

First Abu Dhabi Bank

MUFG

SBICAP (Singapore) Limited

The date of this Offering Memorandum is 15 October 2019.

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This Offering Memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time after that date.

IN CONNECTION WITH THIS OFFERING, BARCLAYS, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. HOWEVER, THERE IS NO ASSURANCE THAT BARCLAYS, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZING MANAGER AND NOT FOR OR ON OUR BEHALF.

NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Memorandum. We have not, and Barclays Bank PLC, Citigroup Global Markets Limited, DBS Bank Ltd., First Abu Dhabi Bank PJSC, J.P. Morgan Securities plc, MUFG Securities Asia Limited and SBICAP (Singapore) Limited (collectively, the “**Lead Managers**”) have not authorized anyone to provide you with information that is different from that contained in this Offering Memorandum. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. The information contained in this Offering Memorandum is accurate only as of the date of this Offering Memorandum, regardless of the time of delivery of this Offering Memorandum or any sale of the Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

The appointment of the Trustee and the Agents is subject to internal approvals by the entities named as such in this Offering Circular.

We confirm that (i) this Offering Memorandum contains all information with respect to us and our affiliates referred to in this Offering Memorandum and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Offering Memorandum relating to us and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Memorandum with regard to us and our affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our affiliates and the Notes, the omission of which would, in the context of the issue and offering of the Notes, make this document, as a whole, misleading in any material respect; and (v) we have made all reasonable inquiries to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Memorandum is highly confidential. This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described in this Offering Memorandum. This Offering Memorandum is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. We are providing

it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this Offering Memorandum before making a decision whether to purchase the Notes. You must not use this Offering Memorandum for any other purpose, or disclose any information in this Offering Memorandum to any other person.

We have prepared this Offering Memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed “*Transfer Restrictions*”.

No representation or warranty, express or implied, is made by the Lead Managers, Citicorp International Limited (the “**Trustee**”) or the Agents (as defined in the terms and conditions of the Notes (the “**Conditions**”)) or any of their affiliates or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise, representation or warranty. To the fullest extent permitted by law, the Lead Managers, the Trustee and the Agents do not accept any responsibility for the contents of this Offering Memorandum or for any other statement in connection with the issue and offering of the Notes made or purported to be made by the Lead Managers or on their behalf. The Lead Managers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Memorandum or any such statement.

Each person receiving this Offering Memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Lead Managers, the Trustee nor the Agents or any person affiliated with the Lead Managers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our affiliates or the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Lead Managers, the Trustee or the Agents.

Neither the delivery of this Offering Memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of such information herein or create any implication that the information contained herein is correct as of any date subsequent to the date of such information herein.

This Offering Memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Memorandum. The Notes may not be a suitable investment for all investors. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum;

- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) understand thoroughly the terms of the Notes and be familiar with the behavior of financial markets in which they participate; and
- (d) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, exchange rate, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

We reserve the right to withdraw the offering of the Notes at any time, and the Lead Managers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Lead Managers and certain related entities may acquire for their own account a portion of the Notes.

We are not, and the Lead Managers, the Trustee and the Agents are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. In particular, no action has been taken by the Issuer, any of the Lead Managers, the Trustee or the Agents which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The distribution of this Offering Memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us and the Lead Managers, the Trustee and the Agents to inform themselves about and to observe any such restrictions.

The Notes have not been and will not be registered under the Securities Act or any United States state securities laws and, unless so registered, may not be offered, sold or delivered within the United States (as defined under Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws. The Notes are being offered only outside the United States in compliance with Regulation S. Each purchaser of the Notes in making its purchase will be required to make or will be deemed to have made certain acknowledgements, representations and agreements set out in “*Subscription and Sale*” and “*Transfer Restrictions*”. The Notes are freely transferable, subject to certain restrictions on transferability. For a description of the restrictions on offers, sales and re-sales of the Notes and distribution of this Offering Memorandum, “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Offering Memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129 as implemented in member states of the EEA (the “**Prospectus Regulation**”). This Offering Memorandum has been prepared on the basis that all offers of the Notes made to persons in the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

IMPORTANT – EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a “**retail investor**” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared

and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Within the United Kingdom, the Offering Memorandum is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as “**Relevant Persons**”). The Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the Offering Memorandum or any of its contents.

In accordance with applicable provisions of Indian regulations, only: (i) investors resident of countries that are Financial Action Task Force or International Organization of Securities Commission compliant; or (ii) multilateral and regional financial institutions where India is a member country; and (iii) foreign branches or subsidiaries of Indian banks, that satisfy all other conditions set out in respect of eligible investors under the ECB Directions are eligible to purchase the Notes. In addition, holders and beneficial owners shall be responsible for compliance with the restrictions on the ownership of the Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of the Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. Potential investors should seek independent advice and verify compliance with the Eligibility Requirements (as defined in this Offering Memorandum) prior to any purchase of the Notes.

Listing of and quotation for the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies or the Notes. In making an investment decision, potential purchasers must rely on their own examination of the Issuer and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINITIONS AND CONVENTIONS

We have prepared this Offering Memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “**we**”, “**us**”, “**our**”, “**our Company**”, “**the Company**”, “**the Issuer**” and words of similar import, we are referring to HPCL-Mittal Energy Limited itself, or to HPCL-Mittal Energy Limited and its consolidated subsidiaries, as the context requires.

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, all references to “**Noteholders**” and “**holders**” are to holders of the Notes; all references to “**you**”, “**your**”, “**offeree**”, “**purchaser**”, “**subscriber**”, “**recipient**”, “**investors**”, “**prospective investors**” and “**potential investor**” are to the prospective investors in the Offering; all references to “**India**” are to the Republic of India and its territories and possessions and all references herein to the “**Indian Government**” or “**GoI**” or the “**Central Government**” or the “**State Government**” are to the Government of India, central or state, as applicable; all references to the “**U.S.**” and “**United States**” are references to the United States of America, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia; all references to the “**United Kingdom**” are to the United Kingdom of Great Britain and Northern Ireland and its territories and possessions; and all references to the “**CPC**” and the “**Civil Code**” are to the Indian Code of Civil Procedure, 1908, as amended.

All references herein to “**₹**”, “**Indian Rupees**”, “**INR**” and “**Rs.**” are to the lawful currency of India, all references to “**U.S. Dollars**” and “**U.S.\$**” are to the lawful currency of the United States, all references to “**Sterling**” or “**GBP**” are to pounds sterling, the lawful currency of the United Kingdom, all references to “**€**” and “**Eur**” are to Euros (i.e., the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community, as amended) and all references to “**S\$**” are to Singapore dollars. No representation is made that the Indian Rupee, Euro or United States dollar amounts referred to herein could have been or could be converted into United States dollars, Euros or Indian Rupees, as the case may be, at any particular rate or at all.

In this Offering Memorandum, references to the words “**Lakh**” or “**Lac**” mean “**100 thousand**”, the word “**million**” means “**10 lakh**”, the word “**crore**” means “**10 million**” or “**100 lakhs**” and the word “**billion**” means “**1,000 million**” or “**100 crores**”.

The Issuer’s financial year commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year, so all references to a particular ‘financial year’ or ‘Fiscal’ or ‘FY’ are to the 12 months period ended on March 31 of that year.

Certain amounts in this Offering Memorandum have been rounded. Accordingly, amounts shown as totals may not be the arithmetic sum of the amounts that precede them.

References to any laws, acts, statutes, rules or regulations in this Offering Memorandum shall include any subsequent amendments and modifications thereto, as applicable.

For the purposes of this Offering Memorandum, the following definitions shall apply throughout, unless the context otherwise requires (note that the list below only includes the key definitions):

AD Bank	Designated authorized dealer category I bank appointed in accordance with the ECB Directions
Agency Agreement	The agency agreement to be dated 22 October 2019 made between the Issuer, Citibank, N.A., London Branch, as principal paying agent, transfer agent and registrar and Citicorp International Limited, as the trustee, as amended or supplemented from time to time
AGM	Annual General Meeting
Alternative Clearing System	Any applicable Clearing System other than Euroclear or Clearstream
Articles/Articles of Association	Articles of Association of our Company, as amended

Audited Financial Statements	Our consolidated audited financial statements as of and for financial years ended March 31, 2019, March 31, 2018 and March 31, 2017, prepared in accordance with Ind AS, the Companies Act, 2013 and other applicable Indian laws
Board of Directors/Board	The Board of Directors of our Company and includes any Committee thereof
Borrowing Regulations	The Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, as amended
BSE	BSE Limited
CAGR	Compound Annual Growth Rate CAGR is calculated by dividing the value at the end of the period in question by the corresponding value at the beginning of that period, and raising the result to the power of one divided by the period length, and subtracting one from the subsequent result
Clearstream	Clearstream Banking S.A.
Common Depository	In relation to the Notes, a depository common to Euroclear and Clearstream
Companies Act	The Companies Act, 2013 and/or the Companies Act, 1956, as applicable.
Companies Act, 1956	The (Indian) Companies Act, 1956, as amended and to the extent effective read with the rules, regulations, clarifications and modifications thereunder.
Companies Act, 2013	The (Indian) Companies Act, 2013, as amended and to the extent effective, read with the rules, regulations, clarifications and modifications thereunder.
Director(s)	Director(s) of our Company, unless otherwise specified
ECB	External Commercial Borrowing
ECB Directions	The FEMA, including the Borrowing Regulations and the rules, regulations, notifications, circulars, press notes or orders issued thereunder by RBI or other Indian governmental agency, including the Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations, issued by RBI <i>vide</i> notification no. RBI/FED/2018-19/67 FED Master Direction No. 5/2018-19 dated March 26, 2019, and the Master Direction on Reporting under Foreign Exchange Management Act, 1999 dated January 1, 2016, as amended, modified, replaced or substituted from time to time
Eligibility Requirements	The requirements under the ECB Directions which prescribe that the Notes can only be subscribed by persons who are: (A) (a) residents of a country which is a FATF Compliant Country or an IOSCO Compliant Country; or (b) multilateral or regional financial institutions where India is a member country; or (c) foreign branches or subsidiaries of Indian banks only for foreign currency denominated ECB (except Foreign Currency

	Convertible Bonds and Foreign Currency Exchangeable Bonds); and (B) in compliance with other requirements specified by RBI from time to time in relation to ECBs by Indian entities and are not otherwise prohibited under any applicable laws or regulations from acquiring, owning or selling the Notes
Euroclear	Euroclear Bank SA/NV
FATF Compliant Country	A country that is a member of the FATF or a member of a FATF-style regional body, and should not be a country identified in the public statement of the FATF as a jurisdiction: (a) having a strategic anti-money laundering (AML) or combating the financing of terrorism (CFT) deficiencies to which counter measures apply; or (b) that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies
FATF	Financial Action Task Force
FEMA	The (Indian) Foreign Exchange Management Act, 1999, as amended from time to time, including the rules and regulations issued thereunder
Financial Statements	The Audited Financial Statements and the Limited Review Financial Statements, taken together, and shall include reference to any of them
FSMA	The United Kingdom Financial Services and Markets Act 2000, as amended
GST	Goods and services tax
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
Income Tax Act	The (Indian) Income Tax Act, 1961, as amended, including the rules issued thereunder
Ind AS	The Indian Accounting Standards as prescribed under Section 133 of Companies Act, 2013, read with the Ind AS Rules
Ind AS Rules	The Companies (Indian Accounting Standards) Rules, 2015
IOSCO Compliant Country	A country whose securities market regulator is: (a) a signatory to the IOSCO's Multilateral Memorandum of Understanding (Appendix A Signatories) or (b) a signatory to bilateral Memorandum of Understanding with the SEBI for information sharing arrangements
IOSCO	International Organization of Securities Commission
Limited Review Financial Statements	Our unaudited, condensed interim consolidated financial statements as of and for the three months ended June 30, 2019, prepared in accordance with recognition and measurement principles of Ind AS 34, the Companies Act and other applicable

	Indian laws, which have been subject to a limited review by the Auditors in accordance with SRE 2410
Memorandum/ Memorandum of Association	Memorandum of Association of our Company
Previous GAAP	The accounting standards prescribed under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014
Principal Paying Agent	Citibank, N.A., London Branch in its capacity as principal paying agent under the Agency Agreement, or its successor in such capacity, in respect of the Notes
RBI	The Reserve Bank of India
Regulation S	Regulation S under the Securities Act
Securities Act	The United States Securities Act of 1933, as amended
SGX Listing Rules	The rules governing the listing, clearing, trading and depository services of the SGX-ST, as amended from time to time
SGX-ST	The Singapore Exchange Securities Trading Limited
(SRE) 2410	Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by ICAI
Subsidiary or Subsidiaries	HPCL-Mittal Pipelines Limited and HPCL-Mittal Foundation, either collectively or individually
Transfer Agent	Citibank, N.A., London Branch in its capacity as transfer agent under the Agency Agreement, or its successor in such capacity
Trust Deed	The trust deed to be dated 22 October 2019 made between the Issuer and the Trustee, as amended or supplemented from time to time
Trustee	Citicorp International Limited, in its capacity as trustee for the benefit of all Noteholders under the Trust Deed, or its successor in such capacity

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements as of and for financial year ended March 31, 2017 that appear in this Offering Memorandum have been prepared in accordance with Ind AS and are audited by S.R. Batliboi & Co. LLP, Chartered Accountants (the “**Previous Auditors**”) and our consolidated financial statements as of and for financial years ended March 31, 2018 and March 31, 2019 that appear in this Offering Memorandum have each been prepared in accordance with Ind AS and are audited by Deloitte Haskins & Sells LLP (the “**Auditors**”). Our Limited Review Financial Statements, as of and for the three months ended June 30, 2019 have also been prepared in accordance with recognition and measurement principles of Ind AS 34 and have been reviewed by the Auditors in accordance with (SRE) 2410. Because the Limited Review Financial Statements have not been audited, they should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit.

Ind AS differs from International Financial Reporting Standards (“**IFRS**”) and generally accepted accounting principles in the United States. The degree to which the Financial Statements included in this Offering

Memorandum will provide meaningful information is entirely dependent on the reader's familiarity with Ind AS. Any reliance by persons not familiar with Indian accounting practices on the financial information presented in this Offering Memorandum should accordingly be limited. Our Company has not made any attempt to quantify the impact of the IFRS on the financial data included in this Offering Memorandum, nor does it provide a reconciliation of its financial statements to IFRS financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between Ind AS and IFRS and how these differences might affect their understanding of the financial information contained herein. For a discussion of certain significant differences between Ind AS and IFRS, see "*Summary of Significant Differences between IFRS and Ind AS*".

Certain financial information, and operational information, in this Offering Memorandum has been rounded for convenience and, as a result, the totals of the data presented in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

Our Company publishes its Financial Statements in Indian Rupees.

The Auditors are a firm registered with the ICAI. It has been reported that in connection with certain alleged lapses identified by the Serious Fraud Investigation Office in one of its audit assignments, the Ministry of Corporate Affairs in India ("MCA") has filed, among others, a petition with the National Company Law Tribunal ("NCLT") seeking an order under Section 140(5) of the Companies Act to impose a restriction on the Auditors (and another large audit firm which was the joint auditor with the Auditors of the company in a recent past financial year) from being appointed as an auditor of any company for a five-year period (the "**Proposed Restriction**"). The MCA has also made other applications before other judicial/quasi-judicial forums seeking certain other orders against the Auditors and the other audit firm. Both auditors have raised objections to the proceedings on technical and legal grounds. The Auditors has challenged against the orders issued by the NCLT including, in particular, the applicability of Section 140(5) to it and appeals are pending before the National Company Law Appellate Tribunal ("NCLAT"). Separately, the other audit firm has also challenged the proceedings before the Bombay High Court and the matter is under appeals. The matters are currently pending. As of the date of this Offering Memorandum, there are no orders that prevent the Auditors from continuing as auditors of our Company.

The Previous Auditors were informed by RBI via a press release dated June 3, 2019 that RBI will not approve the Previous Auditors for carrying out statutory audit assignments for commercial banks for one year commencing from April 1, 2019. This does not impact the Previous Auditors' role as our Company's statutory auditors for the year ended March 31, 2017.

NON-GAAP FINANCIAL MEASURES

EBITDA figures presented in this Offering Memorandum have been calculated by reversing the following items from our profit for the relevant year or period:

- finance cost;
- foreign exchange differences (gain)/loss (net);
- fair value loss/(gain) on currency derivative contracts (net)
- depreciation and amortization expense; and
- income tax expense/credit.

EBITDA and EBITDA margin presented in this Offering Memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Ind AS. EBITDA is not a

standard measure under Ind AS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income, or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability, or cash flows generated by operating, investing, or financing activities. In addition, EBITDA is not a standardized term; therefore, a direct comparison of EBITDA as reported by different companies may not be possible or meaningful.

We have included EBITDA in this Offering Memorandum because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. Nevertheless, EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our financial condition or results of operations, as reported under Ind AS. Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

EXCHANGE RATES

Our Company publishes its Financial Statements in Indian Rupees. With effect from July 10, 2018, RBI discontinued the responsibility of computation and dissemination of reference rates for Indian Rupees. RBI has transitioned this activity to Financial Benchmarks India Private Limited ("FBIL"), which now reports and publishes the reference exchange rates.

Unless otherwise stated, all translations in this Offering Memorandum from Indian Rupees to U.S. Dollars have been made on the basis of the ₹/U.S.\$ closing exchange rate as of June 28, 2019 of ₹ 68.92 = U.S.\$ 1.00, based on the reference rates reported by FBIL as of that date available on www.fbil.org.in. All amounts translated into U.S. Dollars are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

The exchange rates between the Indian Rupee and the U.S. Dollar have changed substantially in recent years and may fluctuate substantially in the future. The results of our Company's operations are affected as the Indian Rupee appreciates or depreciates against the U.S. Dollar and, as a result, any such appreciation or depreciation may affect the market price of the Notes.

There are certain restrictions on the conversion of Indian Rupees into foreign currencies, including U.S. Dollars. The FEMA regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or specific permission of RBI.

INDUSTRY AND MARKET DATA

Market data and certain industry forecast and statistics, including those, relating to India and the crude oil receipt, storage and transportation industry in India, in this Offering Memorandum have been obtained or derived from both public and private sources, including market research, industry publications and government publications. Although we believe this information to be reliable, it is subject to change and has not been independently verified by us, the Lead Managers, the Trustee or the Agents or their respective directors and advisors, and neither we nor the Lead Managers, the Trustee nor the Agents nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information.

In addition, third-party information providers may have used market surveys or other sources whose information was not independently verified. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. We make no

representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside India.

The extent to which the market and industry data used in this Offering Memorandum is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the Notes, including the merits and risks involved.

Unless stated otherwise in this Offering Memorandum, the information on our Company's website, any website referred herein or any website directly or indirectly linked to such website, is not incorporated by reference into this Offering Memorandum and should not be relied upon.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes “**forward-looking statements**” that relate to future events, which are, by their nature, subject to significant risks and uncertainties. All statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “**believe**”, “**expect**”, “**aim**”, “**intend**”, “**plan**”, “**will**”, “**may**”, “**project**”, “**predict**”, “**anticipate**”, “**seek**”, “**should**”, “**estimate**” or similar expressions or the negative thereof, are forward-looking statements.

Forward-looking statements are subject to certain known and unknown risks, uncertainties and other factors, some of which are beyond our Company’s control, which may cause our Company’s actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- our ability to continue selling products to HPCL pursuant to the Product Off-take Agreement;
- the prices we receive for our petroleum products are subject to factors beyond our control;
- the supply of transportation fuels in northern India;
- our ability to operate without any significant interruption;
- our ability to source and ship crude oil and other feedstock;
- our ability to source power without disruption or reduction; and
- our ability to continue benefitting from certain financial and tax benefits.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and elsewhere in this Offering Memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this Offering Memorandum. Such forward-looking statements speak only of the data based on which they are made. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Memorandum might not occur.

ENFORCEABILITY OF CIVIL LIABILITIES

We and our Subsidiaries are incorporated under the laws of India and substantially all of our assets are located in India, and most of our directors and other senior management are residents of India. As a result, it may not be possible for you to effect service of process outside India, upon such persons or us. In addition, you may be unable to enforce judgments obtained against such persons or us in courts outside of India, or in such person’s other jurisdiction of residence.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, recognition and enforcement of foreign judgments is provided for under Section 13, Section 14 and Section 44A of the Code of Civil Procedure, 1908, as amended (the “**Civil Code**”), on a statutory basis.

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between parties under whom they or any of them claim to be litigating under the same title, except:

- (i) where it has not been pronounced by a court of competent jurisdiction;
- (ii) where it has not been given on the merits of the case;
- (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable;
- (iv) where the proceedings in which the judgment was obtained are opposed to natural justice;
- (v) where it has been obtained by fraud; or
- (vi) where it sustains a claim founded on a breach of any law in force in India.

Further, Section 14 of the Civil Code provides that a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record, but such presumption may be displaced by proving want of jurisdiction.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such section, in any country or territory outside India which the GoI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees, not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or in respect of a fine or other penalties and does not apply to arbitration awards.

A suit for enforcement of a foreign judgment is required to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Further, it is difficult to predict whether a suit brought in an Indian court will be disposed of in a timely manner or be subject to untimely delay. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court would if an action were brought in India, or that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. Further, it is unlikely that an Indian court would enforce foreign judgments that would be contrary to or in violation of Indian law.

A party seeking to enforce a foreign judgment in India is also required to obtain prior approval from RBI, under the provisions of the FEMA, to repatriate any amount recovered pursuant to such enforcement, and such amount may be subject to income tax in accordance with applicable laws and there can be no assurance that such approval would be obtained in a timely manner, or at all. Any judgment awarding damages in a foreign currency is required to be converted into Indian Rupees on the date the judgment or award and not on the date of payment.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire Offering Memorandum, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading integrated refining and petrochemical company in India with operations that span crude oil refining, petrochemical production and marketing. We own and operate a petroleum refinery, the Guru Gobind Singh Refinery, including various ancillary facilities (our “**Refinery**”), near Bathinda, in the northern Indian state of Punjab. Our Refinery has a current crude oil processing capacity of 11.3 MMTPA and is the tenth largest individual petroleum refining complex in India, on the basis of installed capacity as of April 1 2019 (*Source: PPAC*), with a NCI of 12.6. At inception the refining capacity was 9.0 MMTPA and we started our commercial production in December 2011. Subsequently, we expanded our refining capacity to 11.3 MMPTA in the financial year 2018.

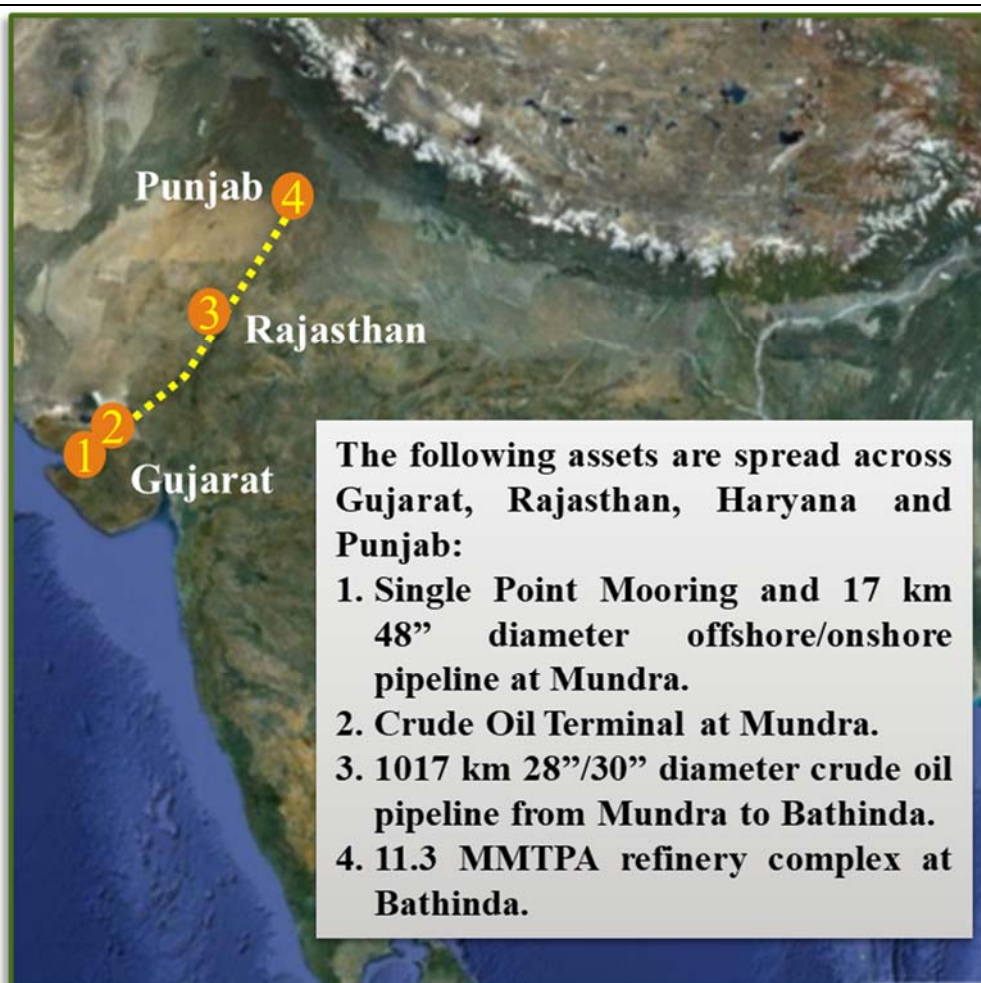
Our Refinery has been designed with an advanced configuration and has one of the highest complexities among refineries in India. Our Refinery has an installed refining capacity of approximately 225 kbpd of crude oil, as well as the flexibility to process a wide variety of very heavy, high sulphur, high TAN crude oil grades, which, we believe, enables us to manage our crude oil procurement to take advantage of price differences between different grades of crude oil in order to enhance our refining margins. Our Refinery produces high value-added liquid petroleum products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane, Bitumen and MTO, as well as solid products, such as PP (for which we set up a separate 0.44 MMTPA polypropylene unit within our Refinery complex, and pursuant to which we commenced sales of polypropylene in financial year 2013; the capacity of the unit has thereafter been expanded to approximately 0.47 MMTPA), pet coke and sulphur.

We have also constructed a COT at Mundra, Gujarat, on the west coast of India, through our Subsidiary, HMPL, to receive, store and transport crude oil to our Refinery. The COT facility includes a SPM, 14 crude oil tanks to store approximately 5.3 million barrels of crude oil, modern blending facilities, connected to a dedicated 1,017 km Crude Oil Pipeline from the COT to our crude receipt station situated at our Refinery. The ancillary facilities at our Refinery site include a 165 MW CPP, which almost meets the entire steam and power requirements of our Refinery. We also purchase some power from the grid. The feed/fuel used in the CPP and the refinery includes pet coke, refinery gases and LCO. We believe that this end-to-end dedicated infrastructure, from the point of import of crude oil through our SPM to our COT to our Refinery and the point of dispatch of our petroleum products, which also utilizes HPCL’s distribution pipeline in addition to our Crude Oil Pipeline, enables us to mitigate our dependence on third parties by providing security of feedstock supply to our Refinery. In order to reduce our production and volume risks, we have entered into the Product Off-take Agreement with HPCL, pursuant to which HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products (except Naphtha) and Bitumen that we manufacture, until December 12, 2026. Thereafter, the Product Off-take Agreement may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Bathinda refinery subsequent to the increase in crude oil refining capacity from 9.0 million metric tonnes per annum (“**MMTPA**”) to 11.3 MMTPA (“**Refinery**”). For financial year 2019 and the three months ended June 30, 2019, the volume of products sold by us to HPCL, pursuant to the Product Off-take Agreement, accounted for 81.8% and 83.4%, respectively, of total volume of our Company’s product sales. For financial year 2019 and the three months ended June 30, 2019, our Company contributed approximately 21.1% and 20.5%, respectively, of HPCL’s total sales; and our Company contributed 72.7% and 72.3%, respectively, of HPCL’s northern India sales.

Our Company was incorporated on December 13, 2000 as Guru Gobind Singh Refineries Limited by HPCL, one of the three state owned refining majors, a Forbes 2000 Company and a GoI enterprise with ‘Navratna’ (*gem*) status. Subsequently, pursuant to an agreement between HPCL and MEI, in 2007 we became a joint venture company with equal participation by HPCL and MEI, and our name was changed to HPCL-Mittal Energy Limited on December 31, 2007. ONGC holds, as of June 30, 2019, a 51.11% equity interest in HPCL. HPCL and MEI each hold, as of June 30, 2019, a 48.99% equity interest in our Company. The remaining 2.02% equity interest is held by the following Indian financial institutions: State Bank of India, IFCI Limited and HDFC Standard Life Insurance Company Limited.

Based on the Petroleum Planning and Analysis Cell report (MoPNG), for financial year 2019, we believe that HPCL had an approximately 21% share of the petroleum products market of India amongst the public sector OMCs. Further, as of April 1, 2019, we believe that HPCL had an approximately 6% share in India’s refining capacity (excluding its JV capacity). It operates two petroleum refineries in India producing a variety of petroleum fuels and specialties, one in Mumbai with a capacity of 7.5 MMTPA, and the other in Visakhapatnam with a capacity of 8.3 MMTPA. HPCL’s consolidated total revenues (including excise duty) for the three months ended June 30, 2019 and financial year 2019 were ₹ 755 billion and ₹ 2,986 billion, respectively. For the three months ended June 30, 2019 and financial year 2019, we accounted for 42% of HPCL’s total refining capacity in each of the periods (calculated by considering HPCL’s refining capacity in Mumbai and Visakhapatnam and our Refinery) (*Source: PPAC*). MEI, the largest shareholder of the world’s largest steel producing company, ArcelorMittal, is a part of the Lakshmi N. Mittal group, and some of its other affiliates hold interests in enterprises involved in oil and gas and infrastructure.

The following map illustrates the location and certain key aspects of our facilities:



(Note: Map not to scale)

Competitive Strengths

We believe our key competitive strengths include the following:

High Complexity Refinery with High Operating Efficiency

Our Refinery is currently the tenth largest individual petroleum refining complex in India, on the basis of installed capacity, as of April 1, 2019 (*Source: PPAC*). Our Refinery has the flexibility to process a wide range of crude oil grades thereby reducing our dependence on any given type of crude oil. We have a list of diversified suppliers and are registered with 80 suppliers including 20 NOCs, 10 international oil majors, 15 equity producers and 35 traders as of August 31, 2019. Our diversified supplier base ensures security of supply and gives us the flexibility to procure oil across different grades and from varying regions, enabling us to prepare an optimum crude oil basket. In addition, we select crude oil for our Refinery through specialized planning and optimization tools, including linear programming and crude assay management software and databases, as well as advanced scheduling tools, developed with assistance from various software development companies, which allow us to adjust our operations based on the available crude oil procurement, pricing information and information on changes in product demand in the markets in which our products are sold, enabling us to take advantage of price differences between different grades of crude oils, increase throughput and value addition of the types of crude oil that our Refinery processes, improve process efficiencies and enhance our refining margins. The use of such tools has helped us procure crude oil at an average price, which was lower than the

Indian basket price of crude oil during the three months ended June 30, 2019 and financial years 2019, 2018 and 2017.

The table below includes our capacity utilization for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

2017			2018 ⁽¹⁾			2019			For the three months ended June 30, 2019		
Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)
9.0	10.5	116.9	9.0/11.3	8.8	108.9	11.3	12.5	110.4	11.3	3.2	113.5

Note:

- (1) In financial year 2018, our Refinery was shut down for a total of 86 days for turnaround and for capacity enhancement from 9.0 MMTPA to 11.3 MMTPA. Accordingly, figures for this period calculated only for the operational period (shutdown period has been excluded).

We believe our product portfolio enables us to capitalize on the shortfall in refining capacity in northern India and allows us to benefit from economies of scale. We benefit from higher value-added petrochemical products instead of selling those products in their intermediate stage at lower margins to the market. For example, our delayed coker unit upgrades 70% of residue, which would have been sold as low value fuel oil, into higher-value products such as HSD, LPG and Naphtha, that deliver higher sales margins for us compared to the direct sale of fuel oil. The manufacturing of value-added products also enables us to maintain higher GRMs, and we have consistently outperformed Singapore's benchmark GRMs during normal operating cycles. For the three months ended June 30, 2019, and financial years 2019, 2018 and 2017, we reported GRMs of U.S.\$ 10.00/bbl, U.S.\$ 12.39/bbl, U.S.\$ 15.10/bbl and U.S.\$ 15.87/bbl, respectively. Higher margin of premium products like polypropylene, Hexane and Bitumen results in over U.S.\$ 225 million per year of additional gross margin.

We specifically chose a configuration that would enable our Refinery to convert low value residue into higher value light and middle distillates while producing the by-product, pet coke, in the process. We believe that our technologically advanced plant enables us to produce a more favorable products slate, focusing solely on the more profitable light and middle distillates, without any production of heavy oils such as fuel oil, which have lower profit margins. We also enjoy a high upgrading to refining capacity ratio (high complexity) and are able to efficiently produce quality petroleum products. Further, our approximately 0.47 MMTPA polypropylene unit, which has been setup within our Refinery complex, utilizes gas-phase process that enhances our cost-to-performance ratio.

Strategic Location of our Refinery with Competitive Advantages in Access to Key Markets

We have strategically located our Refinery inland, in proximity to what we believe to be supply-deficient target markets in northern India. The total consumption of petroleum products in northern India during financial year 2019 was approximately 57 MMTPA, which we believe to be higher than other regions in the country, compared to 190 MMTPA for India, while the three refineries in northern India have an aggregate crude throughput capacity of 34.3 MMTPA. For financial year 2019, northern India's share of consumption of petroleum products in India was about 30% of India's total consumption of petroleum products (*Source: Petroleum Planning and Analysis Cell, MoPNG*).

We believe that the strategic location of our Refinery in northern India, which has high demand, provides us with a competitive advantage over Indian and foreign refineries that are required to bear overland or other transportation costs for moving their petroleum products from other parts of the country into northern India. Moreover, our Refinery is situated in proximity to several potential key customers for our solid products, such

as cement and fertilizer plants, which we believe will facilitate our sales of pet coke and sulphur. Our Refinery is also well connected for the evacuation of our petroleum products by rail, road and product pipelines to service our target markets in northern India. Further, since HPCL does not currently have an operational refinery of its own in northern India, we believe our Refinery is strategically important for HPCL's sales in the region.

In addition, our Refinery is serviced by our dedicated Crude Oil Pipeline, which provides us control over crude oil supplies by mitigating our dependence on third parties. We currently own sufficient land for purposes of our current operations as well as our expansion project. All of our current water supply requirements are met by a nearby canal network connected to the Sutlej River in Punjab.

Diverse Product Slate Catering to Marquee Customers through a Robust Distribution Network

We have diversified our product portfolio, which consists of a range of liquid and solid products and we believe that our best-in-class Refinery configuration gives us the ability to offer a superior refinery product slate, thereby improving our refining margins. Our Refinery produces high value-added liquid petroleum products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane, Bitumen and MTO, as well as solid products, such as PP, pet coke and sulphur. For details of the production volumes of each of our products, see *"Our Business — Our Refinery — Product Slate"*. Thus, we derive our revenues from the sales of a variety of products, which we believe assists us in mitigating the concentration risks associated with operations in a specific product segment.

We have four regional offices in Noida, Mumbai, Hyderabad and Kolkata and seven area offices in Chandigarh, Jaipur, Kanpur, Indore, Ahmedabad, Bengaluru and Chennai. Our product distribution network consists of 17 distributors operating 32 regional warehouses across 18 states and union territories in India, which helps us serve our marquee customer base. We have an arrangement to avail a liquid terminal facility in Mundra, Gujarat to facilitate exporting of our products. Due to our comprehensive product mix and ability to leverage our existing pan-India distribution network with long established leadership, we believe we have a strong ability to market petrochemical products.

Integrated Refinery with Dedicated Infrastructure

Our Refinery operations are supported by end-to-end dedicated infrastructure, from the point of import of crude oil at our COT facility through our dedicated 1,017 km Crude Oil Pipeline, most of which has been laid underground and has a diameter of 28 to 30 inches, to our crude receipt station at our Refinery and the point of dispatch of petroleum products, as well as access to HPCL's distribution pipeline, which we believe are sufficient to meet our current operational needs. Our COT facility includes an SPM system capable of handling crude oil vessels ranging from Aframax (80,000 to 120,000 deadweight tonnage ("DWT")) tankers to very large crude carriers (200,000 to 320,000 DWT) and up to 14 crude oil tanks to store approximately 5.3 million barrels of crude oil, or approximately 23 days of our crude oil requirements at installed production capacity, with modern blending facilities that are able to accept crude oils ranging from 16 to 40 degrees on the measure for petroleum density created by the American Petroleum Institute ("API"), and blend them to fall within the blend window of our Refinery. Our blending facilities can process around 200 grades of crude oil out of a total of over 800 grades spread across 55 countries. We also have crude oil storage facilities at our Refinery site with the capacity to store approximately 1.5 million barrels of crude oil, or an additional seven days of our crude oil requirements at installed production capacity. In addition, we believe that our dedicated Crude Oil Pipeline, which can be expanded to achieve a throughput of 18.0 MMTPA with the help of additional pumping stations, provides us with a competitive advantage since the cost of transporting crude oil through a pipeline is significantly lower when compared to other modes of transportation, and helps mitigate operational risks, as well as the risk of pilferage and theft. Our crude receipt station at our Refinery has a four crude storage tanks, with an aggregate storage capacity of 240,000 kL. Our refining operations are also supported by our 165 MW CPP, which almost meets the entire power and steam requirements. We also purchase some power from the

grid. The fuel used in the CPP and the refinery includes pet coke, refinery gases and LCO, which are the by-products of our Refinery, and helps to ensure uninterrupted operation of our Refinery.

We believe this dedicated and integrated infrastructure enables us to manage our costs and operations efficiently, mitigates the risk to our refining margins of fluctuations in the cost of importing and transporting crude oil feedstock, reduces our dependence on third-party service providers, and provides flexibility to maximize value across the entire value chain in a dynamic market and regulatory regime.

Industry Leading Safety Standards

We have adopted industry leading safety standards for both occupational safety (protection of people) and process safety (protection against major process incidents). We are certified to the international safety management systems standard OHSAS 18001 and are in the process of migrating to the newly introduced ISO 45001 standard. For process safety management (“PSM”), we have implemented standards in line with international best practice and have a structure of PSM element owners, power users and lead persons to help drive continuous improvement.

In 2016, we achieved a maximum five-star rating from a 10-day occupational safety audit by the British Safety Council, which also awarded us a sword of honor. In 2018, the British Safety Council launched a new process safety version of their five-star audit. In January 2019, we believe we became the first company outside of the United Kingdom to receive the maximum five-star rating in this audit.

To track and manage our performance, we extensively utilise software systems and we have leading and lagging indicator dashboards for both occupational and process safety. We also use a specialist software tool and methodology for root cause analysis and learning from incidents.

The other key element of safety is our commitment to developing a good safety culture where everyone is aware of the hazards, understands the consequences of accidents and is involved in protecting themselves and others around them. Safety culture training has been in place since we commenced operations. In 2016, we launched a comprehensive safety culture transformation initiative with the vision of creating an incident and injury free (“IIF”) workplace. All employees and contractors are given IIF training before starting work and a comprehensive structure, involving people at all levels, is in place to drive IIF compliance. Our current IIF key focus areas are on visible leadership, high performing supervisors and effective contractor safety teams.

Since commissioning the Refinery, we have demonstrated a clear continuous improvement in terms of both injuries and process incidents. The Refinery, including refinery projects, recently achieved one year without a lost time accident (“LTA”) for the first time. On August 31, 2019, we achieved 25 million man-hours worked LTA free.

Leveraging our relationship with our Promoters

HPCL, a Forbes 2000 company and a GoI enterprise with ‘Navratna’ (*gem*) status, holds a 48.99% equity stake in our Company as of June 30, 2019. Based on the Petroleum Planning and Analysis Cell report (MoPNG), for financial year 2019, we believe that HPCL had an approximately 21% share of the petroleum products market of India amongst the public sector OMCs. Further, as of April 1, 2019, we believe that HPCL had an approximately 6% share in India’s refining capacity (excluding its JV capacity). Additionally, HPCL operates two petroleum refineries in India (excluding its JV refineries) producing a variety of petroleum fuels and specialties, one in Mumbai with a capacity of 7.5 MMTPA, and the other in Visakhapatnam with a capacity of 8.3 MMTPA (*Source: Petroleum Planning and Analysis Cell, MoPNG*). HPCL is reliant on our Company due to the location and integration benefits. HPCL utilizes the location advantage of our Refinery to reinforce its presence and enhance its existing market share in north and northwest India. For the three months ended June 30, 2019 and financial year 2019, we accounted for 42% of HPCL’s total refining capacity in each of the periods

(calculated by considering HPCL's total refining capacity of 27.1 MMTPA, which is made up of 7.5 MMTPA in Mumbai, 8.3 MMTPA in Visakhapatnam and 11.3 MMTPA in our Refinery) (Source: PPAC).

HPCL utilizes the location of our Refinery to reinforce its presence and enhance its existing market share in north and north-west India. For the three months ended June 30, 2019 and financial year 2019, the volume of products sold by us to HPCL, pursuant to the Product Off-take Agreement, accounted for 83.4% and 81.8%, respectively, of total volume of our Company's product sales. For financial year 2019 and the three months ended June 30, 2019, our Company contributed approximately 21.1% and 20.5%, respectively, of HPCL's total sales; and our Company contributed 72.7% and 72.3%, respectively, of HPCL's northern India sales.

The following table details HPCL's supply, demand and gap in the service zone predominantly in northern India:

	Financial Year		
	2020	2021	2022
Demand (MS/HSD).....	12,565	13,423	14,350
Supply (MS/HSD).....	7,694	6,714	6,961
Gap (MS/HSD)	(4,871)	(6,709)	(7,389)

Source: Petroleum Planning & Analysis Cell "Demand Projection XII and XIII Plan"

Pursuant to the Product Off-take Agreement with HPCL, HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products (except Naphtha), for a crude processing capacity of 9.0 MMTPA (subject to up to a 10% increase thereafter as mutually agreed by the parties), that we manufacture, until December 12, 2026. Thereafter, the Product Off-take Agreement may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Refinery subsequent to the increase in crude oil refining capacity from 9.0 MMTPA to 11.3 MMTPA. In accordance with the terms of the Product Off-take Agreement, our Company shall be the preferred source of supply to HPCL for the agreed products in nine northern Indian states and union territories. Among other provisions, the Product Off-take Agreement sets forth that in the event HPCL does not purchase the volume of products contractually agreed to, HPCL is required to pay our Company a certain amount of money. Amounts received by us in excess of the minimum amount set forth by the Product Off-take Agreement may be refunded to HPCL. However, our Company shall not be required to refund amounts if such refund would lead to the debt service coverage ratio (as defined therein) for the quarter to fall below a threshold of 1.15 in the mechanism as set forth in the Product Off-take Agreement. We believe the Product Off-take Agreement allows us to mitigate our off-take risk for our liquid petroleum products, enabling us to sell our liquid products at rates based on international market prices. We also receive additional benefits from our relationship with HPCL such as access to modern technology including HPCL's research and development facilities, operational know-how and best industry practices. Our employees also attend management and staff development programs organised by HPCL to develop and improve competencies with respect to operational and technical skills. The following table sets forth the quantity and value of products sold to HPCL for the periods indicated:

Period	Quantity of products sold		Value of products sold	
	(in KT)	(as a % of our total sales)	(in ₹ million)	(as a % of our total sales)
Financial year 2017.....	7,397	78.8	387,209	87.3

Period	Quantity of products sold		Value of products sold	
Financial year 2018.....	6,605	81.6	376,232	89.0
Financial year 2019.....	9,167	81.8	578,302	87.5
Three months ended June 30, 2019.....	2,378	83.4	143,355	88.5

Note:

(1) Above value of products sold includes taxes comprising excise duty, GST, CST and VAT as applicable.

MEI, the largest shareholder of the world's largest steel producing company, ArcelorMittal, is a part of the Lakshmi N. Mittal group and some of its other affiliates hold interests in enterprises involved in oil and gas and infrastructure. Our Company has received a total equity investment of ₹ 39.40 billion from each of HPCL and MEI.

Experienced management with project execution skills and substantial experience in the petroleum sector

Our management has significant experience in the petroleum sector and members of our senior management team have been involved in successfully managing various operations at domestic and international oil majors, including at HPCL. For example, we believe that we benefit significantly from the leadership and experience of our Chairman, Mr. Aditya Mittal who also serves as president of ArcelorMittal and group chief financial officer and chief executive officer of ArcelorMittal Europe, and Mr. Mukesh Kumar Surana, Chairman & Managing Director of HPCL, who has over 35 years of experience in the petroleum sector in India. In addition, we believe that, Mr. Prabh Das, our Managing Director and Chief Executive Officer, who previously served as Joint Secretary of the refineries division at MoPNG and was associated with companies such as Indian Oil Corporation Limited, HPCL, Mangalore Refineries and Petrochemicals Limited, Mr. Harak C. Banthia, our Chief Financial Officer, who was previously associated with companies such as Mittal Investments UK Limited, Starleigh UK Limited, ONGC Mittal Energy UK Limited, Ispat Sidex SA, Irish Ispat Limited, Lovelock & Lewes, and Mr. AS Basu, our Head of Refinery, who was previously the managing director of Chennai Petroleum Corporation, bring to our management the benefit of their considerable management and technical experience and industry relationships.

We believe that we are able to attract a diverse talent pool which will be focussed on the growth of our business with the ability to manage the rapidly changing business environment.

Business Strategies

The key elements of our business strategy are as follows:

Actively Manage Our Crude Oil Feedstock Supply

In order to maximise the security of our crude oil feedstock supply, while enabling us to benefit from price differences between different grades of crude oils and achieve optimization based on market conditions, we seek to actively manage our crude oil feedstock requirements through a combination of term contracts and spot purchases for physical settlement.

In order to source crude oil from the spot market, we have registered with 80 suppliers including 20 NOCs, 10 international oil majors, 15 equity producers and 35 traders as of August 31, 2019. We have also entered into term contracts with leading NOCs, for a majority of our annual crude oil requirement. We expect a majority of our future crude requirement will be sourced from Middle East Gulf Countries with high concentration of

proven petroleum reserves to reduce freight cost and lead time as well as secured supply. We have established long-term relationships with major oil producers and suppliers, which we believe will help us to establish a consistent base load requirement for our Refinery.

Our SFSG has overall responsibility for planning, scheduling and procurement of feedstock, its transportation from source locations to our COT at Mundra and managing and monitoring price and other associated risks. Our SFSG employs in-depth industry experience and global industry practices in selecting crude oil for our Refinery through the use of world class systems including specialized planning and optimization tools including linear programming and crude assay management software and databases, as well as advanced scheduling tools, which allow us to adjust our operations based on the available crude oil procurement and pricing information and information on changes in product demand in the markets in which our products are sold, enabling us to take advantage of price differences between different grades of crude oils, increase throughput and value addition of the types of crude oil that our Refinery processes, improve process efficiencies and enhance our refining margins. We actively scout for crude grades that are difficult to process and are advantageous feedstocks.

Further, our commodity risk management desk seeks to ensure early recognition of risks faced by us on account of volatility in international crude oil prices and product margins and takes mitigating actions to stabilize our cash flows. Our risk management desk utilizes various instruments to hedge our market risks based on underlying physical exposure.

Pursue Additional Opportunities to Increase Our Value-Added Product Mix

In order to better capture market demand, increase our margins and diversify our cash flows, we are setting up a petrochemical complex to significantly enhance our polymer production capacity, adding approximately 0.20 MMTPA of capacity. The petrochemical complex will primarily produce polypropylene and polyethylene (together, “**Polyolefins**”) and is targeted to become operational in the financial year 2022. The domestic demand for Polyolefins grew at 10.6% during financial year 2018 and it is expected to register a further growth of 5.3%, 7.1% and 7.4% in financial years 2019, 2020 and 2021, respectively (*Source: CPMA Report*). We believe that this petrochemical complex project, which is expected to cost approximately U.S.\$ 3.2 billion, will assist us in mitigating the risks associated with volatility in fuel prices and improve our GRMs, since petroleum and petrochemical cycles historically have been unrelated. We also believe that our location and an assured supply of polypropylene from our Refinery will give us the opportunity to optimize our returns by expanding into higher margin segments of the petroleum product value chain and diversifying our sources of revenue from downstream sectors, especially considering that we have a first mover advantage with multiple other refineries still in the planning phase.

We will be able to derive more value from our existing infrastructure while undertaking this petrochemical complex project since we currently have infrastructure in place, including additional land, feedstock of Naphtha and LPG streams from our Refinery for the production of value-added petrochemicals, along with electricity from our CPP. We will also be able to recover ethylene for the production of petrochemical products from the off gasses that are generated in our olefin complex. We also have an extensive network of distributors to assist us with the sales of our products. We believe that the project experience we acquired while setting up the existing capacity at our Refinery provides us with leverage that we will be able to draw from, particularly since the core team involved in executing the original project is still with us. In addition, we have gained significant operating and marketing experience and an established network through our existing polymer unit, which will be an additional benefit as we undertake future expansion projects.

Prudent Financial Management

We continue to support our operations with cost-effective sources of capital, obtained in a timely manner, while managing our debt within predefined thresholds. We have, over the years, and shall continue to, focus on

reducing our cost and levels of indebtedness through a variety of initiatives. Our total outstanding indebtedness (comprising short term borrowings, long term borrowings and current maturities of long term borrowings) increased from ₹ 232,557 million as of March 31, 2019 to ₹ 254,591 million as of June 30, 2019. We have secured funding from a variety of sources including term loans from Indian banks, Indian Rupee loans from the GoP, foreign currency loans from banks, U.S. Dollar redeemable bonds and through the issuance of non-convertible debentures. We will continue to focus on optimizing our capital structure by assessing the benefits and suitability of utilizing different funding sources.

Our Awards and Certifications

- The Shield Award for “Security Project Design of The Year” in 2019;
- A five-star rating in the “Process Safety Management” Audit 2019 by the British Safety Council;
- The “Golden Peacock Award for Risk Management” 2018;
- “Petrochemical Deal of the Year-India” and “Project Sponsor of the Year-Petrochemical” awards during “The Triple-A Asia Infrastructure Awards 2018” event in Hong Kong;
- The Golden Globe Tigers Award, 2018 for Excellence and Leadership in Corporate Social Responsibility presented in relation to Community Development at Kuala Lumpur, Malaysia;
- First Prize by the Punjab State Safety Award, 2017;
- Second Prize in the national level “Cleanliness Award” 2018 by MoPNG;
- “Corporate Social Responsibility (“CSR”) Program of The Year” Award at the Petroleum Economist Awards, 2017;
- The “Golden Peacock Award for CSR”, 2016;
- The National Energy Conservation Award in 2016;
- The “Golden Peacock Award for Environment Management”, 2016;
- The Energy Performance Award for ‘Best Improvement in MBN over previous years’ in 2016;
- The “Sustainability Award for Excellence in Safety 2016” by FICCI; and
- The “Sword of Honour” by the British Safety Council in 2016.

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this Offering Memorandum. This summary is derived from, and should be read in conjunction with, the full text of the “Terms and Conditions of the Notes” and other information included in this Offering Memorandum.

Issuer	HPCL-Mittal Energy Limited (the “ Company ”)
Legal Entity Identifier (“LEI”)	3358008CSQJBZUGQXP26
Notes Offered	U.S.\$ 300,000,000 5.45 per cent. Senior Unsecured Notes due 2026 (the “ Notes ”)
Lead Managers	Barclays Bank PLC Citigroup Global Markets Limited DBS Bank Ltd. First Abu Dhabi Bank PJSC J.P. Morgan Securities plc MUFG Securities Asia Limited SBICAP (Singapore) Limited
Issue Price	100 per cent.
Maturity Date	22 October 2026
Interest	The Notes will bear interest from and including 22 October 2019 (the “ Issue Date ”) at the rate of 5.45 per cent. per annum payable semi-annually in arrear on 22 April and 22 October of each year. The first payment (for the period from, and including 22 October 2019 to, but excluding 22 April 2020) will be made on 22 April 2020.
Trustee	Citicorp International Limited
Principal Paying Agent, Registrar and Transfer Agent	Citibank, N.A., London Branch
Status of the Notes	The Notes constitute (subject to Condition 4.1 (<i>Negative Pledge</i>)) direct, general, unsecured and unsubordinated obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Company under the Notes shall at all times rank at least <i>pari passu</i> with all of its other present and future outstanding unsecured and unsubordinated obligations but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.
Form and Denomination of the Notes	The Notes will be issued in fully registered form and in the denomination of U.S.\$ 200,000 each and integral multiples of U.S.\$ 1,000 in excess thereof. The Notes shall initially be represented by a Global Certificate in the aggregate principal amount of the Notes registered in the name of a common nominee for, and held by or to the order of a depositary (the “Common Depositary”) common to, Euroclear

Bank SA/NV and Clearstream Banking S.A. See “*Summary of Provisions Relating to the Notes in Global Form*”.

Optional Redemptions

At any time prior to 22 October 2023, the Company may, on any one or more occasions redeem at its option all or part of the Notes at a redemption price equal to 100.0 per cent. of the principal amount thereof plus the Applicable Redemption Premium as of, and accrued and unpaid interest and Additional Amounts, if any.

At any time prior to 22 October 2023, the Company may on any one or more occasions redeem up to 40 per cent. of the aggregate principal amount of Notes at a redemption price of 105.45 per cent. of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, with the Net Cash Proceeds of one or more sales of the Capital Stock of the Company in an Equity Offering (as defined in Condition 4.11 (*Definitions*)); *provided that* at least 60 per cent. of the aggregate principal amount of Notes originally issued on the Issue Date (excluding Notes held by the Company or its Subsidiaries) remains outstanding immediately after the occurrence of each such redemption and any such redemption occurs within 90 days of the date of the closing of such Equity Offering.

On or after 22 October 2023, the Company may, on any one or more occasions, redeem all or a part of the Notes at the redemption prices specified under “*Terms and Conditions of the Notes—Optional Redemptions*” plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed.

See “*Terms and Conditions of the Notes—Optional Redemptions*” for more details.

Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Company and subject to ECB Directions in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if: (a) the Company has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the official application or interpretation of such laws or regulations; and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Notes then due. See Condition 6.

ECB Directions in effect at the time of such redemption may require the Company to obtain the prior approval of RBI or the AD Bank before effecting a redemption of the Notes prior to the

Maturity Date and such approval may not be forthcoming. See *“Risk Factors—Risks Relating to the Notes—Early redemption of Notes prior to the Maturity Date may require the prior approval of RBI or the AD Bank in accordance with the ECB Directions”*.

Redemption for a Change of Control Triggering Event

If a Change of Control Triggering Event (as defined below) occurs with respect to the Company, each Noteholder shall have the right at such Noteholder’s option and subject to ECB Directions, to require the Company to redeem such Noteholder’s Note in whole or in part at 101.0 per cent. of their principal amount plus accrued and unpaid interest, if any, to and including the date of purchase, in accordance with the Conditions. See Condition 6.3.

ECB Directions in effect at the time of such redemption may require the Company to obtain the prior approval of RBI or the AD Bank before effecting a redemption of the Notes prior to the Maturity Date and such approval may not be forthcoming. See *“Risk Factors—Risks Relating to the Notes—Early redemption of Notes prior to the Maturity Date may require the prior approval of RBI or the AD Bank in accordance with the ECB Directions”*.

Events of Default

For a description of events that would permit acceleration of repayment of principal and interest of the Notes, see Condition 9.

ECB Directions in effect at the time of such redemption in the case of an Event of Default, may require the Company to obtain the prior approval of RBI or the AD Bank in accordance with ECB Directions before effecting a redemption of the Notes prior to the Maturity Date and such approval may not be forthcoming. See *“Risk Factors —Risks Relating to the Notes—Early redemption of Notes prior to the Maturity Date may require the prior approval of RBI or the AD Bank in accordance with the ECB Directions”*.

Covenants

The Company has agreed in the Trust Deed constituting the Notes and the Conditions related thereto to observe certain covenants, including, among other things, limitation on indebtedness, negative pledge, limitation on restricted payments, limitation on asset sales, limitation on affiliate transactions, consolidation and merger and reporting covenants. For details, see Condition 4.

Suspension of Covenants

If, on any date following the date of the Trust Deed, the Notes are rated Investment Grade from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a **“Suspension Event”**), then, beginning on that day and continuing until such time, if any, (i) at which the Notes cease to be rated Investment Grade from either of the Rating Agencies or

(ii) an Event of Default occurs and is continuing, Condition 4.2 (*Limitation on Indebtedness*), Condition 4.3 (*Limitation on Restricted Payments*) and Condition 4.4 (*Limitation on Asset Sales*) will not apply to the Notes.

Such Conditions will be reinstated and apply according to their terms as at and from the first day on which a Suspension Event ceases to be in effect. Such Conditions will not, however, be of any effect with regard to actions of the Company properly taken in compliance with the provisions of the Trust Deed during the continuance of the Suspension Event, and no Default will be deemed to have occurred as a result of a failure to comply with such covenants during such period. See Condition 4.8.

Meetings of Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Withholding Tax and Additional Amounts

The Company will pay such additional amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding for any taxes imposed by tax authorities in an Relevant Jurisdiction upon payments made by or on behalf of the Company in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding taxes, subject to the customary exceptions, as described in Condition 8.

The payments to be made by the Company have to be within the ‘all-in cost’ ceiling prescribed by RBI in the ECB Directions. The Company shall seek the approval of RBI for making any payments in excess of the ‘all-in cost’ ceiling prescribed in the ECB Directions and such approval may not be forthcoming.

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Notes in, among others, Singapore, India, the United States, the European Economic Area, and Hong Kong. For a description of the selling restrictions on offers, sales and deliveries on the Notes, see “*Subscription and Sale*”.

Identification Numbers

ISIN: XS2052949968.

Common Code: 205294996.

Governing Law

The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance, with English law.

Risk Factors

For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “*Risk Factors*”.

Listing

Approval-in-principle has been received for the listing of and quotation for the Notes on Singapore Exchange Securities

Trading Limited (the “SGX-ST”). The Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Clearing System

The Notes will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a common depositary for Clearstream and Euroclear, and deposited on or about the Closing Date. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by of Euroclear or of Clearstream.

Use of Proceeds

We intend to use the proceeds from this offering to repay a portion of our outstanding indebtedness to our lenders which may include the Lead Managers or their respective affiliates, in compliance with applicable laws, rules and regulations. However, to the extent that we are unable to complete procedural formalities to be able to use all of the proceeds from this offering for refinancing such outstanding indebtedness, then we intend to use the proceeds from this offering for capital expenditure purposes.

Rating

The Notes are expected to be rated Ba2 by Moody’s and BB- by Fitch.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organization. Prospective investors should evaluate each rating independently of any other rating of the Notes or other securities of the Issuer.

SELECTED FINANCIAL AND OTHER DATA

The following table presents our consolidated annual financial and other data. The consolidated financial data as of and for the three months ended June 30, 2019 and June 30, 2018, and each of financial years ended March 31, 2019, 2018 and 2017 is derived from our audited financial statements for those years and as of the dates indicated.

Our consolidated annual financial statements have been prepared and presented in accordance with Indian Accounting Standards (“**Ind AS**”), which may differ in material respects from generally accepted accounting principles in other jurisdictions. See “*Summary of Significant Differences Between IFRS and Ind AS*”. The consolidated financial data below should be read in conjunction with “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the financial statements and the notes to those statements included elsewhere in this Offering Memorandum.

Consolidated Balance Sheet Data

	As of March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$) ⁽¹⁾
		(in millions)		
Assets				
Non-current assets				
Property, plant and equipment	213,261	231,081	230,359	3,343
Capital work in progress	18,922	16,987	68,321	991
Intangible assets	350	140	223	3
Financial assets				
Loans	178	215	311	5
Other bank balances	27	27	—	—
Other financial assets	281	814	1,347	20
Deferred tax assets (net)	11,645	9,394	9,338	135
Tax assets (net)	489	1,019	935	14
Other non-current assets	902	2,723	8,083	117
Total non-current assets	246,055	262,400	318,917	4,628
Current assets				
Inventories	58,912	65,976	67,766	983
Financial assets				
Investments	—	—	1,817	26
Trade receivables	13,536	20,430	25,651	372
Cash and cash equivalents	726	67	1,476	21
Other bank balances	897	400	45	1
Loans	3	2	—	—

	As of March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$) ⁽¹⁾
		(in millions)		
Other financial assets	257	142	452	7
Other current assets	3,101	1,569	1,567	23
Total current assets.....	77,432	88,586	98,774	1,433
Total assets	323,487	350,986	417,691	6,061
Equity and Liabilities				
Equity				
Equity share capital	80,411	80,411	80,411	1,167
Other equity	(4,606)	11,684	25,087	364
Total equity	75,805	92,095	105,498	1,531
Liabilities				
Non-current liabilities				
Financial Liabilities				
Borrowings	168,715	164,842	211,722	3,072
Other financial liabilities	22	1	1,300	19
Provisions	893	1,060	1,180	17
Deferred tax liabilities (net)	2,989	1,656	2,023	29
Other non-current liabilities	2,864	3,065	3,486	51
Total non-current liabilities	175,483	170,624	219,711	3,188
Current liabilities				
Financial liabilities				
Borrowings	20,475	22,521	18,611	270
Trade payables				
Total outstanding dues of micro enterprises and small enterprises	—	—	—	—
Total outstanding dues of creditors other than micro enterprises and small enterprises	34,535	49,988	60,309	875
Other financial liabilities	10,647	9,896	8,409	122
Other current liabilities	5,371	4,083	4,066	59
Provisions	344	1,779	337	5
Current tax liabilities (net)	827	—	750	11
Total Current liabilities	72,199	88,267	92,482	1,342

	As of March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$) ⁽¹⁾
		(in millions)		
Total Equity and liabilities	323,487	350,986	417,691	6,061

Note:

- (1) Our Company published its financial statements in Indian Rupees. Translations from Indian Rupees to U.S. Dollars have been made on the basis of ₹68.92 = U.S.\$ 1.00, being the exchange rate at the close of business on June 28, 2019. All amounts translated into U.S. Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

Consolidated Statement of Income Data

	Financial year ended March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$) ⁽¹⁾
		(in millions)		
Income				
Revenue from operations	424,886	399,431	623,780	9,051
Other income.....	8,746	7,577	7,655	111
Total income	433,632	407,008	631,435	9,162
Expenses				
Cost of raw materials consumed	214,426	226,347	416,140	6,038
(Increase)/decrease in inventories	(11,401)	5,465	(3,024)	(44)
Excise duty on sale of goods	153,149	121,423	151,501	2,198
Employee benefit expenses	2,527	2,725	3,217	47
Finance costs	10,731	11,527	13,399	194
Depreciation and amortization expense.....	11,387	11,429	12,110	176
Other expenses	10,287	6,197	18,840	273
Exploration costs written off.....	14	45	11	—
Total expenses	391,120	385,158	612,194	8,882
Profit before tax	42,512	21,850	19,241	280
Tax expenses				
Current tax (Minimum alternate tax) ...	4,695	4,638	4,110	60

Financial year ended March 31,				
	2017	2018	2019	2019
		(₹)		(U.S.\$) ⁽¹⁾
		(in millions)		
Deferred tax charge	6,911	918	449	7
Total tax expenses.....	11,606	5,556	4,559	67
Profit for the year.....	30,906	16,294	14,682	213
Other comprehensive income				
Other comprehensive income not to be reclassified to profit/(loss) in subsequent years:				
Re-measurement losses on defined benefit obligations.....	(13)	(4)	(75)	(1)
Income tax impact.....	3	—	26	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years.....	(10)	(4)	(49)	(1)
Total comprehensive income for the year.....	30,896	16,290	14,633	212

Note:

- (1) Our Company published its financial statements in Indian Rupees. Translations from Indian Rupees to U.S. Dollars have been made on the basis of ₹68.92 = U.S.\$ 1.00, being the exchange rate at the close of business on June 28, 2019. All amounts translated into U.S. Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

Consolidated Cash Flow Data

	Financial year ended March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$ ⁽¹⁾)
		(in millions)		
Cash Flow from Operating Activities				
Profit before Tax	42,512	21,850	19,241	280
Adjustments for:				
Unrealized foreign exchange loss/(gain) (net)	(2,093)	220	(211)	(3)
Unrealized loss/(gain) on currency derivative contracts (net)	(894)	(641)	(18)	—
Unrealized loss/(gain) on commodity derivative contracts (net)	135	251	(145)	(2)
Finance costs	9,760	10,167	9,659	140
Depreciation and amortisation expense	11,387	11,429	12,110	176
Exploration costs written off.....	14	45	11	—
Interest income	(120)	(78)	(55)	(1)
Provision no longer required written back...	—	(15)	—	—
Gain on sale of current investments (net)	(58)	(107)	(94)	(1)
Exchange difference to the extent considered as an adjustment to borrowing cost	790	1,147	3,469	50
Loss on discard of property plant and equipment	—	558	185	3
Liability towards vendors no longer required written back	—	(1,423)	(10)	—
Operating Profit before working capital changes⁽²⁾	61,433	43,403	44,142	642
Movements in working capital:				
(Increase)/decrease in inventories.....	(26,295)	(7,050)	(1,788)	(26)
(Increase)/decrease in trade receivables.....	(614)	(6,894)	(5,219)	(76)
(Increase)/decrease in loans	16	(36)	(94)	(1)
(Increase)/decrease in other financial assets	(461)	(471)	(720)	(10)
(Increase)/decrease in other assets	(1,772)	1,552	4,208	61
Increase/(decrease) in trade payables.....	13,528	15,294	11,205	162
Increase/(decrease) in other financial liabilities	(211)	579	281	4
Increase/(decrease) in provisions.....	173	35	(58)	(1)
Increase/(decrease) in other liabilities.....	1,251	(1,393)	(4,283)	(62)
Cash generated from operations⁽²⁾	47,048	45,019	47,674	693

	Financial year ended March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$ ⁽¹⁾)
		(in millions)		
Direct taxes paid (net of refund).....	(3,869)	(5,996)	(3,371)	(49)
Net cash generated from operating activities⁽²⁾.....	43,179	39,023	44,303	644
Cash Flow from Investing Activities				
Payments for property, plant and equipment (including capital work in progress and capital advances).....	(13,213)	(27,078)	(60,298)	(875)
Payments for exploration activities.....	(75)	—	(8)	—
Proceeds from short term mutual funds	58	423,970	349,744	5,074
Investment in short term mutual funds	—	(423,864)	(351,467)	(5,100)
Investment in fixed deposits	(547)	(450)	(61)	(1)
Proceeds from maturity of fixed deposits	543	947	444	6
Interest received.....	604	99	55	1
Net cash (used in) investing activities	(12,630)	(26,376)	(61,591)	(895)
Cash Flow from Financing Activities				
Proceeds from issue of share capital	—	—	—	—
Proceeds from non-current borrowings ⁽²⁾	19,284	50,686	79,764	1,157
Repayment of non-current borrowings	(34,849)	(54,886)	(42,128)	(611)
Proceeds from current borrowings.....	222,275	256,552	312,466	4,534
Repayment of current borrowings	(227,045)	(254,557)	(316,222)	(4,588)
Dividend paid (including dividend distribution tax).....	—	—	(1,230)	(18)
Borrowing costs paid.....				
- Interest.....	(8,631)	(9,651)	(11,961)	(174)
- Others.....	(979)	(1,450)	(1,992)	(29)
Net cash from/(used in) financing activities⁽²⁾.....	(29,945)	(13,306)	18,697	271
Net increase/(decrease) in cash and cash equivalents.....	604	(659)	1,409	20
Cash and cash equivalents at the beginning of the year	122	726	67	1
Cash and cash equivalents at the end of the year.	726	67	1,476	21

Notes:

- (1) Our Company published its financial statements in Indian Rupees. Translations from Indian Rupees to U.S. Dollars have been made on the basis of ₹68.92 = U.S.\$ 1.00, being the exchange rate at the close of business on June 28, 2019. All amounts translated

into U.S. Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

- (2) Gain on settlement of deferred sales tax loan of ₹ 5,797 million, included under cash flow from financing activities in the consolidated statement of cash flow for financial year 2017, was subsequently reclassified and included under cash flow from operating activities in the comparative financial information as included in the consolidated statement of cash flow for financial year 2018, pursuant to a change in accounting policy.

Other Financial Data

	Financial year ended March 31,			
	2017	2018	2019	2019
		(₹)		(U.S.\$) ⁽³⁾
	<i>(in millions except percentages)</i>			
Profit before Tax.....	42,512	21,850	19,241	280
Finance costs	10,731	11,527	13,399	194
Foreign exchange differences (gain)/loss (net)	(2,577)	(418)	5,257	76
Fair value loss/(gain) on currency derivative contracts (net)	(734)	(687)	568	8
Depreciation and amortization expense	11,387	11,429	12,110	176
EBITDA ⁽¹⁾	61,319	43,701	50,575	734
EBITDA margin ⁽²⁾ (in %)	22.57	15.72	10.71	10.71

Notes:

- (1) EBITDA consists of profit for the year/period before income tax expenses/credit, finance cost, foreign exchange differences (gain)/loss (net), fair value (gain)/loss on currency derivative contracts and depreciation and amortization expenses. EBITDA is not a standard measure under Ind AS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit after tax or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Interest expense excludes amounts capitalized.
- (2) EBITDA Margin represents EBITDA divided by net revenue from operations (net of excise duty).
- (3) Our Company published its financial statements in Indian Rupees. Translations from Indian Rupees to U.S. Dollars have been made on the basis of ₹68.92 = U.S.\$ 1.00, being the exchange rate at the close of business on June 28, 2019. All amounts translated into U.S. Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

The following table presents our financial and other data. The financial data for the three months ended June 30, 2018 and as of and for the three months ended June 30, 2019 have been prepared and presented in accordance with the recognition and measurements principles of Ind AS and have been reviewed by M/s Deloitte Haskins & Sells LLP in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the ICAI.

Our financial statements prepared in accordance with Ind AS may differ in material respects from generally accepted accounting principles in other jurisdictions. See "Summary of Significant Differences Between IFRS and Ind AS". The consolidated financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes to those statements included elsewhere in this Offering Memorandum.

Consolidated Balance Sheet Data

	As of June 30,		
	2018	2019	2019
	(₹)		(U.S.\$) ⁽¹⁾
	(in millions)		
Assets			
Non-current assets			
Property, plant and equipment.....	234,738	228,430	3,314
Capital work in progress	21,938	77,862	1,130
Intangible assets	231	208	3
Financial assets			
Loans.....	216	527	8
Other bank balances	27	—	—
Other financial assets	1,051	1,080	16
Deferred tax assets (net).....	9,164	9,514	138
Tax assets (net).....	972	685	10
Other non-current assets.....	3,906	11,451	166
Total Non-current assets	272,243	329,757	4,785
Current assets			
Inventories.....	74,734	65,320	948
Financial assets			
Investments	1,875	—	—
Trade receivables	38,008	36,082	523
Cash and cash equivalents.....	1,492	2,220	32
Other bank balances	52	5,004	73
Other financial assets	345	393	6
Other current assets.....	1,737	1,428	21
Total Current assets	118,243	110,447	1,603
Total Assets	390,486	440,204	6,388
Equity and Liabilities			
Equity			
Equity share capital.....	80,411	80,411	1,167
Other equity	16,742	27,869	404
Total equity	97,153	108,280	1,571
Liabilities			
Non-current liabilities			

	As of June 30,		
	2018	2019	2019
	(₹)		(U.S.\$) ⁽¹⁾
	<i>(in millions)</i>		
Financial Liabilities.....			
Borrowings.....	167,862	220,458	3,199
Other financial liabilities.....	495	2,464	36
Provisions.....	1,119	1,436	21
Deferred tax liabilities (net)	1,740	2,122	31
Other non-current liabilities	3,186	1,851	27
Total Non-current liabilities	174,402	228,331	3,314
Current liabilities			
Financial Liabilities.....			
Borrowings.....	26,392	30,583	444
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	—	—	—
Total outstanding dues of creditors other than micro enterprises and small enterprises	66,919	46,823	680
Other financial liabilities	6,670	9,185	133
Other current liabilities	17,588	16,410	238
Provisions.....	731	368	5
Current tax liabilities (net)	631	224	3
Total current liabilities.....	118,931	103,593	1,503
Total Equity and Liabilities	390,486	440,204	6,388

Note:

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Consolidated Statement of Income Data

	Three months ended June 30,		
	2018	2019	2019
	(₹)		(U.S.\$) ⁽¹⁾
	(in millions)		
Income			
Revenue from operations	151,542	152,744	2,216
Other income.....	2,897	2,208	32
Total income.....	154,439	154,952	2,248
Expenses			
Cost of raw materials consumed	96,917	106,633	1,547
(Increase)/decrease in inventories	(4,948)	(1,480)	(21)
Excise duty on sale of goods	39,087	36,510	530
Employee benefit expenses	868	878	13
Finance costs	3,904	2,502	36
Depreciation and amortization expense	2,986	3,060	44
Other expenses	8,797	3,458	50
Exploration costs written off	—	—	—
Total expenses	147,611	151,561	2,199
Profit before tax	6,828	3,391	49
Tax expenses			
Current tax (Minimum alternate tax)	1,477	668	10
Deferred tax charge/(credit)	307	(70)	(1)
Total tax expenses.....	1,784	598	9
Profit for the period	5,044	2,793	40
Other comprehensive income			
Other comprehensive income not to be reclassified to profit/(loss) in subsequent period:			
Re-measurement losses on defined benefit obligations....	20	(18)	—
Income tax impact.....	(7)	7	—
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent period	13	(11)	—
Total comprehensive income for the period	5,057	2,782	40

Note:

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2019. All amounts translated into U.S. Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

Consolidated Cash Flow Data

	Three months ended June 30,		
	2018	2019	2019
	(₹)		(U.S.\$) ⁽¹⁾
	<i>(in millions)</i>		
Net cash (used in)/generated from operating activities	19,537	(1,237)	(18)
Net cash used in investing activities	(10,743)	(15,334)	(222)
Net cash from/(used in) financing activities.....	(7,369)	17,316	251
Net increase/(decrease) in cash and cash equivalents	1,425	745	11
Cash and cash equivalents at the beginning of the period	67	1,475	21
Cash and cash equivalents at the end of the period	1,492	2,220	32

Note:

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Other Financial Data

	Three months ended June 30,		
	2018	2019	2019
	(₹)		(U.S.\$) ⁽³⁾
	<i>(in millions except percentages)</i>		
Profit before Tax	6,828	3,391	49
Finance costs.....	3,904	2,502	36
Foreign exchange differences (gain)/loss (net)	5,606	(375)	(5)
Fair value loss/(gain) on currency derivative contracts (net).....	(225)	771	11
Depreciation and amortization expense	2,986	3,060	44
EBITDA ⁽¹⁾	19,099	9,349	135
EBITDA margin ⁽²⁾ (in %).....	16.98	8.04	8.04

Notes:

- (1) EBITDA consists of profit/(loss) for the year/period before income tax expenses/credit, finance cost, foreign exchange differences (gain)/loss (net), fair value (gain)/loss on currency derivative contracts and depreciation and amortization expenses. EBITDA is not a standard measure under Ind AS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, profit after tax or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Interest expense excludes amounts capitalized.
- (2) EBITDA Margin represents EBITDA divided by net revenue from operations (net of excise duty).
- (3) Our Company published its financial statements in Indian Rupees. Translations from Indian Rupees to U.S. Dollars have been made on the basis of ₹68.92 = U.S.\$ 1.00, being the exchange rate at the close of business on June 28, 2019. All amounts translated into U.S. Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency, at any particular rate, the above rate or at all.

RISK FACTORS

Prospective investors should carefully consider the risk factors relating to our business and our industry described below together with all other information contained in this Offering Memorandum before making any investment decision relating to the Notes. These risks and uncertainties are not the only issues that we face; additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations, financial condition, cash flows or prospects and may cause the trading price of the Notes to fall significantly or cause us to become unable to pay the principal and interest on the Notes and, in either case, cause you to lose all or part of your investment. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.

Risks Relating to our Business

We have entered into a Product Off-take Agreement with HPCL, pursuant to which HPCL purchases all of our Bathinda refinery's liquid petroleum products. Consequently, a default by HPCL in its obligations under the Product Off-take Agreement, the termination of the Product Off-take Agreement or the failure to extend the Product Off-take Agreement on commercially acceptable terms, may adversely affect our business, results of operations, financial condition and cash flows.

In order to reduce our production and volume risks, we have entered into a product off-take agreement (the “**Product Off-take Agreement**”) with Hindustan Petroleum Corporation Limited (“**HPCL**”), pursuant to which HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products (except Naphtha) that we manufacture, until December 12, 2026. Thereafter, the Product Off-take Agreement may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Bathinda refinery subsequent to the increase in crude oil refining capacity from 9.0 million metric tonnes per annum (“**MMTPA**”) to 11.3 MMTPA (“**Refinery**”). For the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, the sale of our products pursuant to the Product Off-take Agreement accounted for 88.5%, 87.5%, 89% and 87.3% of our revenue from operations (inclusive of all taxes and duties), respectively.

HPCL's ability to fulfil its purchase obligation under the Product Off-take Agreement depends on a variety of factors, including market demand and pricing conditions, and as such, we are exposed to risks and uncertainties affecting HPCL's business. In the event HPCL defaults in its obligation to purchase the committed volume of liquid petroleum products, or if the Product Off-take Agreement is terminated or not extended on commercially reasonable terms, we will have to find alternate customers and in doing so, we may incur additional costs, or sell our products on terms commercially less favorable. Consequently, we may not receive the full value of products produced at our Refinery. Further, the Product Off-take Agreement may be terminated under certain conditions including, any material breach of the Product Off-take Agreement resulting in a material adverse effect on the other party, which is not remedied for a period of 180 consecutive days; any suspension in the delivery of products by us for a period of 60 consecutive days; or the winding-up or dissolution of either party. Although HPCL has not defaulted on its obligations in the past, we cannot assure you that it will not default in the future. Any failure by HPCL to purchase or pay for our liquid petroleum products, or the termination of the Product Off-take Agreement may adversely affect our business, results of operations, financial condition and cash flows.

The prices we receive for our petroleum products, under the Product Off-take Agreement or otherwise, are subject to factors beyond our control.

The pricing of the products under the Product Off-take Agreement is twofold. Prices of products other than Hexane and MTO are based on prevalent oil industry practice (presently on trade parity pricing for MS and

HSD, and import parity pricing for other products, including Bitumen) as specified in the Product Off-take Agreement and the operating procedures manual agreed between the parties. See “*Our Business — Sales and Marketing*”.

In India, the prevailing industry practice determining the price of petroleum and petrochemical products are subject to numerous factors beyond our control, including:

- aggregate domestic and global demand and supply for crude oil, the specific crude oils that we intend to use for our Refinery, and changes in such demand and supply;
- aggregate domestic and global demand and supply for petroleum products generally, as well as the specific petroleum products that we intend to produce and changes in such demand and supply;
- fluctuations in the cost of crude oil, changes in differences between light and heavy crude oil prices and differences between crude oil prices and prices for petroleum products;
- aggregate refining capacity in the global and domestic refining industry to convert crude oil into petroleum products generally, as well as the specific products that we intend to produce;
- pricing and other actions taken by suppliers and competitors that have an impact on the market;
- continuation of any exemptions from, or any variations in Indian taxes, levies and duties on the import, purchase and sales of crude oil and petroleum products;
- price differences for petroleum products between different geographical markets;
- changes in the cost and availability of shipping and other logistics services for crude oil and petroleum products;
- regulatory changes in the mandatory petroleum product specifications;
- governmental actions that restrict imports or exports or fix prices of petroleum products;
- the ability of the members of the Organization of Petroleum Exporting Countries (“OPEC”) to affect oil prices and maintain production controls;
- the development and marketing of alternative and competing fuels;
- commodities speculation; and
- general political and economic conditions, particularly in significant oil-producing regions including the Middle East, North Africa, West Africa and Latin America.

Further, pursuant to the Product Off-take Agreement, the price of Hexane and MTO is to be mutually agreed upon between HPCL and us from time to time. We cannot assure you that we will reach a satisfactory agreement with HPCL as to the price for such products, and that such prices are likely to be subject to the factors discussed above. The price at which HPCL purchases our liquid petroleum products, or prevailing industry practice determining the prices of petroleum products, may not be consistent with our expectations. If sale prices of our petroleum products are lower than our expectations, our business, results of operations, financial condition and cash flows may be adversely affected.

If we are unable for any reason to meet our obligations under the terms of our sanctioned borrowings, our lenders may declare us to be in default, which may adversely affect our business, results of operations, financial condition and cash flows.

We have incurred substantial indebtedness as of June 30, 2019, amounting to ₹ 254,591 million and representing 70.2% of our total capitalization (which is made up of our equity and indebtedness). Our indebtedness comprises long-term borrowings (non-current portion and current maturities) and short-term borrowings, amounting to ₹ 224,008 million and ₹ 30,583 million, respectively. Furthermore, as a result of our expansion plan in connection with our new petrochemical complex, the level of our indebtedness is expected to increase.

Our ability to meet our debt service obligations and to repay our outstanding borrowings and any future borrowings will depend primarily on the cash flow generated by us, which can be adversely impacted by many factors. For example, our ability to generate cash flow may be adversely affected if our new petrochemical complex fails to commence operation substantially within the currently contemplated timetable or, when in operation, does not perform as well as expected. See “—*Our inability to effectively execute our expansion plans, commission or operate new units, and manage our future growth may have an adverse effect on our business, results of operations, financial condition and prospects*”. Furthermore, the increase in the international price of crude oil and any deterioration in international product cracks may adversely affect our refining margins and consequently our ability to generate cash. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Our Results of Operations and Financial Condition—Gross refining margins*”. We cannot assure you that we will generate sufficient cash to enable us to service our outstanding borrowings or any future borrowings, comply with covenants relating to any such borrowings or fund other liquidity needs.

If we fail to meet our debt service obligations, our lenders may declare us in default, and require the payment of any or all outstanding amounts due and payable, along with penal interest, accelerate the maturity of our obligations or seek to enforce the security created under our debt facilities. If the maturity of our existing or future borrowings is accelerated, we will likely be required to obtain new financing to repay such indebtedness. Refinancing may not be available on commercially acceptable terms, or at all. We may also be required to dispose of our assets to repay such indebtedness. Additionally, a default by our Company under the terms of any financing document may also trigger a cross-default under some of the other financing documents of our Company, or any other agreements or instruments of our Company containing a cross-default provision, which may individually or in aggregate, have an adverse effect on our operations, financial position and credit rating. Our failure to meet our debt service obligations and to repay our current and any future borrowings may have an adverse effect on our business, results of operations, financial condition and cashflows.

We are largely dependent on a single industry segment and currently generate the majority of our revenues through our refinery business, which exposes us to the volatilities of the petroleum fuel commodity cycle.

Our business is largely concentrated on the downstream petroleum industry and specifically refining of crude oil to produce petroleum fuels, such as MS (gasoline), HSD (gasoil), kerosene, jet fuel and others, with a limited petrochemical production capacity. Consequently, our financial performance is largely dependent on the downstream refining segment of the petroleum fuel commodity cycle and could be adversely affected during a downturn of such cycle.

The commissioning of HPCL’s upcoming Barmer refinery would increase the supply of transportation fuels in northern India and could restrict HPCL’s ability to offtake fuel products from our Refinery once the Product Off-take Agreement expires.

The commissioning of HPCL’s upcoming Barmer refinery, expected to be operational between 2022 and 2023, with a crude processing capacity of 9.0 MTPA, would increase the supply of transportation fuels in northern

India and could restrict HPCL's ability to offtake fuel products from our Refinery once the Product Off-take Agreement expires and impact the renewal of our Product Off-take Agreement with HPCL, for which we rely on for a significant portion of our revenue, going forward. Further, this new complex is also expected to produce petrochemicals at a competitive value, which could also impact our position in the petrochemical market. This, in turn, could require us to make alternate arrangements for fuel product evacuation. If we are unable to make such alternate arrangements with HPCL or with other third parties on commercially acceptable terms or at all, our business, results of operations, financial condition and cash flows may be adversely affected.

Any significant interruption in our operations may reduce our production volumes and have an adverse effect on our business, results of operation and financial condition.

Our refinery operations are located in a single location and have a single train of operations with a single crude distillation unit and connected through a dedicated 1,017 kilometer ("km") Crude Oil Pipeline. As such, our operations are subject to numerous risks, including:

- failure to obtain and maintain necessary governmental and other approvals;
- any changes to the policies or legislation under which the RoUs have been granted;
- mobilizing required resources, including recruiting, housing, training and retaining a large workforce;
- theft and pilferage and any related interruptions caused by such actions in relation to our Crude Oil Pipeline;
- leakages, and any related interruptions necessary to remedy such leakages in relation to our Crude Oil Pipeline;
- breakdown, failure or substandard performance of equipment or other processes;
- accidents, including fires, explosions, ruptures in, or spills from, crude and product carriers or storage tanks;
- construction and development delays or defects; and
- war, terrorism, drone attacks, cyber attacks or civil unrest.

Any of the factors described above may disrupt our operations and may result in environmental pollution, personal injury or wrongful death claims and other damage to our properties and the properties of others.

In the event of mechanical failure and equipment shutdowns, undamaged sections or units of our Refinery and its ancillary facilities that depend on, or interact with, damaged sections or units may also be required to be shut down. In financial year 2018, our Refinery was shut down for a total of 86 days both for turnaround and for capacity enhancement from 9.0 MMTPA to 11.3 MMTPA. Additionally, beginning on August 29, 2019, certain process units at the Refinery were temporarily slowed down or shut down at various points in time to upgrade the Hydrogen Generation Unit ("HGU") to facilitate production of Bharat Stage ("BS") VI MS and HSD, and to perform maintenance on some units to improve operational efficiency. Since September 13, 2019, production has been progressively ramping up. Further, we propose to have a planned shutdown of our Refinery lasting approximately 35 days during September and October of calendar year 2020 for turnaround maintenance.

In addition to planned shutdowns for maintenance, it is possible that one or more of units of our Refinery and its ancillary facilities may require unscheduled downtime for unanticipated maintenance or repairs, or our planned turnarounds may last longer than anticipated. Such scheduled and unscheduled maintenance closures may reduce our revenues and increase our costs during the period that certain units of our Refinery and its ancillary facilities are not operating, which may have an adverse effect on our business, results of operations, financial condition and prospects.

Furthermore, in the event of an interruption in the operation of our Crude Oil Pipeline, we would depend on our crude oil storage facilities at our Refinery, which we believe could accommodate approximately 1.5 million barrels of crude oil, or approximately seven days of our crude oil requirements at full production capacity. Any damage or disruption in the operation of our Crude Oil Pipeline will reduce our production volumes, which may have an adverse effect on our business, results of operation and financial condition.

Any delay in restarting our production operations due to any of the above may have an adverse effect on our business, results of operations, financial condition, prospects and cash flows.

If we are unable to source crude oil and other feedstock for our operations in a timely manner and on commercially acceptable terms, our business, results of operations, financial condition and cash flows may be adversely affected.

The main raw material used in our production process is crude oil and we are dependent on crude oil being readily available for our production needs. Also, the purchase prices for crude oil we source are among the most significant variable factors impacting our results of operations.

We pursue a combination of term and spot contracts for supply of crude oil and other feedstock and have entered into term contracts with certain national oil companies (“NOCs”), as well as registered with over 80 crude oil dealers worldwide to purchase crude oil on the spot market, as of August 31, 2019. However, a substantial portion of our purchases of crude oil is currently, and is likely to continue to be, from the Middle East. The supply of imported crude oil and other feedstock is subject to a variety of geopolitical and other factors that are beyond our control, including for example, overall economic conditions, the political developments and instability in petroleum producing regions, in particular in the Middle East, government regulations with respect to oil and energy industries in those regions, import tariffs and other restrictions, the imposition of sanctions against countries and weather conditions. In the Middle East, a significant amount of our crude oil purchases are transported through the Strait of Hormuz, which has recently been experiencing vessel attacks and seizures, including most recently in Saudi Arabia where two oil facilities, one of which is Saudi Aramco from which we source a portion of our crude oil requirements, were subjected to drone attacks on September 14, 2019. These attacks and seizures disrupt not only the crude volume produced in the region but also the vessel traffic in and out of the area. Future disruptions in the Strait of Hormuz or elsewhere where our crude oil is transported through may adversely affect our crude oil deliveries and purchase prices, thus affecting our business, results of operations, financial condition and cash flows.

To the extent that we enter into long-term supply contracts and obtain an assured supply or minimum guarantee, we remain subject to the risk that our counterparties may default on their obligations. We may also face a competitive disadvantage in obtaining the necessary supply of crude oil and other feedstock, as compared to larger refineries or integrated oil companies that produce their own crude oil feedstock. Although we have not experienced any significant difficulties in obtaining crude oil and other feedstock for our production requirements, we cannot assure you that we will be able to procure sufficient quantities of crude oil in the future. Any inability on our part to source crude oil and other feedstock in a timely manner and on commercially acceptable terms, may adversely affect our production volumes and, in turn, our business, results of operations, financial condition and cash flows.

We source power for our Refinery from our CPP and any disruption or reduction in the supply of power for any of our facilities could have an adverse effect on our production volumes.

The power supply for our Refinery is sourced primarily from our CPP set up at the site of our Refinery. If the actual power requirements of our Refinery exceed the capacity of our CPP, or in the event of any disruption or reduction in supply from our CPP, we cannot assure you that we will be able to make alternative arrangements to source adequate power, in a reasonable time or at reasonable cost, or at all. We do not have significant experience in managing and operating power plants and outsource the operation of our CPP to a third-party

contractor. In addition, the continued expansion of our Refinery operations may increase the challenges involved in technical management and operation of the CPP. If we are unable to manage the operations of our CPP, or if the third-party to whom we have outsourced its operation is unable to effectively operate our CPP, our Refinery operations may be adversely affected. Consequently, any disruption or reduction in the supply of power could have an adverse effect on our production volumes.

Further, our power supply for the pumping stations connected to our Crude Oil Pipeline is intended to be entirely sourced from the regional power grids in the regions that our Crude Oil Pipeline crosses. We are currently setting up a petrochemical complex at our Refinery site, which will enhance our polymer production capacity. Once the petrochemical complex becomes operational in the financial year 2022 as expected, we would import up to 220 Megawatts (“MW”) of power from the regional power grids. If the power supply from the regional power grids is disrupted or reduced, the operation of our pumping stations and/or petrochemical complex will be adversely affected and we may be unable to make alternative arrangements to source adequate power in a reasonable time, or at reasonable cost.

Our net income will decrease if we are unable to benefit from the financial and tax benefits we presently enjoy.

We have received and expect to receive certain financial incentives and tax-related benefits in connection with our Refinery operations, including:

- our port operations are eligible for 100% tax holiday for a period of ten years in a block of fifteen years beginning from the financial year in which commercial operations commenced; and
- we have been granted a deferment of central sales tax (“CST”) by the Government of Punjab (“GoP”) to the maximum extent of 300% of the fixed capital investment for 15 years from the date of commencement of commercial production, with deferred CST payable in 30 half yearly instalments commencing after the expiry of the 15th year from the date of commencement of commercial production, which was on December 3, 2011 (the “**Commencement Date**”).

Further, we have been granted several incentives by the GoP, such as:

- an interest free loan of ₹ 2,500 million per annum for a period of five years amounting to a total of ₹ 12,500 million from the Commencement Date. This loan is required to be repaid after the expiry of 66 months from the date of disbursement;
- exemption from electricity duty on generation of power for own consumption in the Refinery for 15 years from the Commencement Date;
- exemption from entry tax and octroi on crude oil for a period of ten years, from the Commencement Date;
- exemption from such taxes and levies as are not existing on the date of signing of the deed of assurance signed by the GoP in favor of Guru Gobind Singh refinery project setup by HMEL (the “**Deed of Assurance**”), dated August 12, 2005, which the State Government could levy itself or through its local authorities, village authorities, improvement trust or other bodies; and
- restriction on the rate and amounts of the existing taxes and levies excluding water and electricity charges, as prevailing on the date of signing of the Deed of Assurance for the duration of the incentives package, which is 15 years, beginning on August 12, 2005.

In addition to the above benefits applicable to our Refinery business, other benefits are expected to be applicable to our upcoming petrochemical complex project:

- an investment subsidy by way of reimbursement in the fixed capital investment (“FCI”), which consists of land, building, and plant and machinery, up to a 100% reimbursement of net goods and services tax (“GST”) for a period of 15 years, beginning from the date when the petrochemical complex project becomes operational, subject to 200% of the FCI. Net GST includes state GST (“SGST”), central GST (“CGST”) and integrated GST (“IGST”) calculated based on a predetermined formula;
- exemption from the change of land use (“CLU”) charges in the agriculture zone from the approved master plan and non-plan area related to the GoP’s long term plan for development of the state;
- exemption or reimbursement from stamp duty on purchase or lease of land or building for industrial use for establishment of petrochemical complex project and associated facility, as and when such events occur;
- an employment generation subsidy, beginning from the date when the petrochemical complex project becomes operational, of ₹ 36,000 per employee per year for a maximum period of five years, and ₹ 48,000 per employee per year for female and certain other categories of employees for a maximum period of five years;
- a fixed electricity tariff of ₹ 5.00 per kilo volt ampere hours (“KVAH”) for five years, beginning from the date when the petrochemical complex project becomes operational, which will be further reduced during non-peak night hours; and
- exemption from electricity duty for 15 years, beginning from the date when the petrochemical complex project becomes operational.

We cannot assure you that we will be able to enjoy any or all such benefits in the future, whether due to a change in the applicable laws or the interpretation or enforcement of such laws, our ability to continue to comply with all applicable conditions of such laws, or any other reason. For example, we have been settling the deferred CST collection on a yearly basis, computed on net present value for the deferred period. If such settlement is no longer accepted by the GoP, or an impairment occurs in any other benefits that we presently enjoy, this may adversely affect our business, results of operations and financial condition.

Our results of operations and financial condition may be adversely impacted if we decide to opt for a lower direct tax regime offered by the GoI.

The Taxation Laws (Amendment) Ordinance, 2019 dated September 20, 2019 has been promulgated which, among others, grants an option to our Company to migrate to a lower tax direct tax regime from financial year 2019-2020. Companies opting for the new scheme would not be subject to the minimum alternate tax. We are in the process of evaluating whether to opt for the new scheme or continue under the existing tax regime. If we migrate to the new scheme, we may not be able to avail our existing accumulated credits of tax and tax benefits, which could adversely impact our results of operations and financial condition in the year when such option is exercised.

Our inability to effectively execute our expansion plans, commission or operate new units, and manage our future growth may have an adverse effect on our business, results of operations, financial condition and prospects.

We are currently setting up a petrochemical complex with a mixed feed cracker at our Refinery, which will enhance our polymer production capacity. We expect to commission this project in financial year 2022 at an initial estimated cost of ₹ 217,115 million. However, unanticipated delays in execution of the project or cost increases may adversely impact our business, results of operations and financial condition.

Further, the petrochemical complex is designed to process multiple feeds and is of a significant size. Its substantial size, coupled with our lack of experience in commissioning petrochemical units, could pose problems during the start-up phase, or subsequent execution, of the operations, thus adversely affecting our business, results of operations and financial condition.

Additionally, continued expansion increases the challenges involved in recruitment, training and retention of skilled and experienced technical and management personnel and developing our internal administrative infrastructure and controls. If we fail to install such infrastructure and controls on a timely basis, or if there are weaknesses in such infrastructure and controls that result in inconsistent internal standard operating procedures, we may be unable to meet our expected schedule of implementation or may exceed budgeted expenditure. We cannot assure you that our existing or future management, operational and financial resources, infrastructure and controls will be adequate to support our present and proposed operations as well as identify, assess and develop viable business opportunities in the future. If our planned expansion or growth does not yield the expected or desired revenues, profitability or operational efficiency, our business, results of operations, financial condition and prospects may be adversely affected.

Our inability to effectively execute our turnaround plans within the budgeted time and cost may have an adverse effect on our business, results of operations, financial condition.

We have planned a Refinery turnaround in the financial year 2021 (in September 2020 and October 2020), during which the Refinery will be shut down for approximately 35 days carrying out inspection and maintenance of key refinery equipment such as columns, reactors, exchangers, compressors, turbines, vessels, air coolers. The Refinery turnaround could place significant demand on our management, financial, technical and other resources. Any unanticipated or additional work identified during the turnaround may affect the timely completion of our turnaround and within the budgeted cost. Further any delay in restart and stabilization of the Refinery after the turnaround may lead to production loss thereby affecting our results of operations adversely.

Our production and sale of solid products, such as polypropylene, sulphur and petroleum coke (“pet coke”), may not yield results as expected.

One of the ways we intend to grow our business is by exploring opportunities to increase our production and sale of solid products, including polypropylene, and by-products such as sulphur and pet coke. As part of this strategy, we have undertaken forward integration by setting up a polypropylene unit within our Refinery complex, with an annual production capacity of 0.44 MMTPA, and commenced sales of polypropylene during financial year 2013; the capacity of the unit has thereafter been expanded to approximately 0.47 MMTPA. However, the sale of our solid products are not subject to the Product Off-take Agreement and are sold mainly through a network of distributors. Although we have entered into certain long-term agreements and memoranda of understanding with third parties and will continue to explore opportunities for entering into additional long-term arrangements for sale of such products, we cannot assure you that we will be able to enter into any such viable business opportunities in the future. An inability on our part to continue our relationship with our existing distributors or with our customers for our solid products and any inability to enter into viable long-term arrangements may make us more reliant on spot market sales thereby affecting our margins and our sales mix.

In 2018, the GoI was considering a plan to ban the burning of pet coke as a fuel source, following an order by the Supreme Court of India in October 2018 prohibiting the burning of petroleum in New Delhi in an effort to clean the country’s air. Although this plan was never formalised, new regulations may be introduced in the future against the use of pet coke, which when used as a fuel, releases large amounts of carbon dioxide and sulfur dioxide. Such new regulations could curtail or completely eliminate our ability to sell and/or dispose of pet coke from our Refinery, which could adversely affect our business, results of operations, prospects and financial condition.

If our Refinery fails to meet specified production levels or deliver petroleum products of the agreed specifications under the Product Off-take Agreement, we will be liable to pay compensation to the extent of the shortfall.

Under the Product Off-take Agreement, we have undertaken to deliver a contracted quantity of our liquid petroleum products to HPCL. Our ability to deliver such quantities is subject to continued operations at full or near full production capacity of our Refinery and the other project facilities, which involves inherent uncertainties and risks. If our Refinery is unable to produce and deliver the minimum required amount of each liquid petroleum product required by the Product Off-take Agreement, we may be liable to pay HPCL compensation to the extent of any shortfall in our production at a rate of ₹ 500 per kiloliter (“kL”) and the amount of such compensation may be substantial, particularly if our refining operations experience any significant disruption due to reasons that do not constitute a force majeure event under the Product Off-take Agreement. In addition, the Product Off-take Agreement provides that HPCL may terminate the agreement due to, among other things, our failure to deliver at least 65% of the contracted quantity of liquid petroleum products for two consecutive years, or our failure pay the prescribed penalties in relation to such shortfall in accordance with the terms of the Product Off-take Agreement. If we are required to pay substantial compensation to HPCL due to a shortfall in production, or if HPCL elects to terminate the Product Off-take Agreement due to our failure to meet the required production levels, our business, results of operations, financial condition and prospects will be adversely affected.

Our operations are subject to a range of environmental and health and safety laws, which may involve substantial compliance measures and costs. Our inability to comply with such requirements may adversely affect our business, results of operations and financial condition.

Our operations are subject to compliance with a range of laws, rules, regulations and circulars issued and adopted by the central, state and local authorities in India. Like other developers and operators of petroleum refineries in India, we are subject to a broad range of environmental, health and safety and labor laws and regulations which impose controls on the establishment and operation of our facilities, storage, handling and transportation of petroleum products, maintenance of safe conditions and related employee safety measures in the workplace, employee exposure to or uncontrolled emission or discharge of hazardous substances, planting trees and ensuring that the top soil of the land acquired is not adversely affected, public liability insurance, and other aspects of our operations, including employee dispute resolution and retrenchment. See “– *Any significant interruption in our operations may reduce our production volumes and have an adverse effect on our business, results of operation and financial condition.*” We may also incur liabilities for environmental or other damage caused by acts or omissions of our contractors.

If we fail to satisfy compliance requirements, we may also be subject to administrative, civil and criminal proceedings by Indian regulatory authorities, as well as civil proceedings by environmental or civil society groups and other individuals (including employee unions, if our employees were to unionize), which may result in substantial claims, penalties and damages against us as well as orders that may limit, disrupt or cause closure of our operations, any of which may have an adverse effect on our business, results of operations, financial condition and prospects. We may also be involved in, or be held responsible in litigation or proceedings relating to environmental or health and safety matters in the future, the costs of which may be significant, or which may cause damage to our reputation or trigger a default under the terms of our existing or future borrowings or other contractual commitments.

We may require additional financing for working capital and capital expenditure, and such additional financing may not be available on commercially reasonable terms, or at all.

Our business is inherently capital intensive and we may require additional financing for our future working capital and capital expenditure requirements. We cannot assure you that any such financing will be available to us on commercially reasonable terms, or at all. Our ability to obtain additional financing in the future may also

be subject to legal and regulatory restrictions, including borrowing and lending restrictions under applicable law, in addition to covenants governing current indebtedness of our Company.

If we are unable to procure financing on commercially reasonable terms, we may be unable to procure adequate crude oil and other feedstock, maintain our facilities and assets, maintain the appropriate level of human resources, or undertake future expansion, upgradation or other projects that may be necessary or beneficial for our business, among other factors, which may have an adverse effect on our business, results of operations, financial condition and prospects.

Moreover, we cannot assure you that any additional expenditure we may incur, for instance, if we elect to upgrade or modify our Refinery to produce higher quality or a different slate of petroleum products, will yield anticipated results. Any such upgradation or modification may lead to an increase in our levels of indebtedness and pose increased challenges to our ability to service our debt, as well as subjecting us to restrictions under the terms of such future financing and security arrangements.

Currency exchange rate fluctuations could have an adverse effect on our financial results.

We generate substantially all of our total income in Indian Rupees while incurring a significant portion of our expenses in U.S. Dollars (comprising mainly costs related to the purchase of crude oil from overseas sources and paid for in foreign currencies). A significant portion of our outstanding indebtedness is in U.S. Dollars and that is mainly covered through natural hedging. We also have some exposure in foreign currencies, other than U.S. Dollars, mainly on account of our petrochemical complex project, which is expected to cost approximately U.S.\$ 3.2 billion, and some of its operational-related purchases of goods and services. Any unhedged exposure in such currency may affect its operating/project cost. To the extent that we are unable to match income received in Indian Rupees with costs paid in foreign currencies or are unable to completely hedge against our currency exchange risk, exchange rate fluctuations in any such currency could have an adverse effect on our revenues and financial results.

Our crude oil terminal (“COT”) and single point mooring system (“SPM”) are operated under an agreement under which we may be obligated to transfer those assets.

On May 31, 2002, our Company entered into a sub-concession agreement with the Adani Ports and Special Economic Zone Limited (“APSEZL”), formerly known as Mundra Port and Special Economic Zone Limited, which was amended and restated on April 21, 2011 to include HMPL as a party (the “**Sub-Concession Agreement**”). Under the Sub-Concession Agreement, APSEZL granted the right to develop, finance, design, construct, operate and maintain the SPM, the COT, and other ancillary facilities specified in the agreement (the “**Contracted Assets**”) for a term of up to February 16, 2031, or as may be extended by the parties. As part of the build, own, operate and maintain arrangement, our Company and HMPL agreed to transfer the immovable and essential movable Contracted Assets to APSEZL or its representative at the end of the term of the agreement for a consideration equivalent to the depreciated value of the Contracted Assets. In addition, our Company and HMPL agreed to sell the Contracted Assets to APSEZL in the event of the pre-termination of the agreement due to the default by HMPL or our Company. Events of default include certain winding up and liquidation events affecting HMPL, the failure by HMPL to pay the terminal royalties for a continuous period of six months, or the abandonment of the Contracted Assets by HMPL for a continuous period of 120 days. In such events, the sale price of the Contracted Assets will be based on appraisal and valuation mechanics specified in the agreement, which may not necessarily be the same as the fair market value required for asset sales prescribed in the indenture to the Sub-Concession Agreement. If we are forced to sell the Contracted Assets to APSEZL before the end of the term of the Sub-Concession Agreement in 2031, our business, results of operations or financial condition could be materially and adversely affected.

Competition in the petroleum refining industry, and the development of alternate energy resources and alternate means of transport may adversely affect our sales and profitability.

The petroleum refining industry is highly competitive. Some of our competitors are larger and more vertically integrated than us and may be able to manufacture products more economically than we can. Currently, we are not significantly involved in the upstream oil exploration and production business and we may face a competitive disadvantage in obtaining the necessary supply of crude oil and other feedstock as compared to larger refineries or integrated oil companies such as some major oil producers that produce their own crude oil feedstock. Further, we do not currently have a retail business and primarily rely on HPCL for the sale of our liquid petroleum products. Some of our competitors, however, obtain a portion of their crude oil from company-owned production sites and have retail outlets for distribution and are, at times, able to offset losses from refining operations with profits from producing or retailing operations. In addition, some of our competitors may have greater financial resources than we do, which may enable them to invest more capital in their business and withstand volatile market conditions. If we are unable to compete effectively with these competitors, our sales and profitability may be adversely affected.

We also compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our off-takers, such as natural gas, coal and renewable energy sources. Additionally, the market for internal combustion engine vehicles, such as electric vehicles, is increasingly becoming popular as an alternative to vehicles reliant on petroleum and diesel. If we are unable to compete effectively with these alternate energy sources or if alternate means of transport increasingly replace traditional means of transport that rely on petroleum and diesel, our sales and profitability may be adversely affected.

The significant increase expected in the volume of polymer production after the planned commissioning of the petrochemical complex in financial year 2022 could pose a marketing challenge.

The capacity of polymer production from our Refinery is expected to increase by more than four times of its current capacity, adding approximately 0.20 MMTPA of capacity, after the commissioning of the upcoming petrochemical complex in Bathinda. The marketing of this additional volume of polymers could prove to be challenging, especially in the beginning stages. We cannot be certain that there will be demand for the additional polymer produced. The lack of such demand could result in some sales being directed to export markets and low net realization areas during the initial stages. Additionally, we may have to offer higher discounts to attract customers until the product is established in the market. To the extent that we are unable to sell the additional volume in high net realization areas or establish ourselves in the market, our results of operations, sales and profitability may be adversely affected.

Policies against the use of single-use plastics may adversely affect our future sales and profitability.

We produced 501 kilo tonnes per annum (“KTPA”) of Polypropylene (“PP”) in financial year 2019. We also plan to add 1.2 MMTPA of polyethylene and an additional 0.5 MMTPA of PP to our product portfolio as part of our petrochemical complex project, which is expected to be completed in financial year 2022 and is currently one year ahead of construction schedule. Single-use plastics form a significant portion of the application of these materials. National governments, as well as central and local governments in India, have taken an aggressive stance to limit the use of single-use plastics which could adversely affect the demand or growth and, in turn, the prices, for these materials. If governments continue to limit the use of single-use plastics, or even plastics in general, this could adversely affect our business, prospects, results of operations, sales and profitability.

We rely on third-party contractors or agencies and are therefore exposed to execution risks, including in relation to the timing or quality of their services, equipment or supplies.

We rely on the availability of skilled and experienced contractors and specialist agencies for the implementation and operation of various aspects of our business. We do not have direct control over the timing or quality of the

services and supplies provided by such third parties. The third party contractors expose us to various risks, including credit risk, settlement risk, operational risk, legal risk and reputational risk. The execution risks we face include the following:

- contractors hired by us may not be able to deliver contracted products or services within budgeted costs and timelines or to the agreed specifications and standards;
- we rely on a third-party contractor to operate our CPP, which is our primary source of power for our Refinery operations, and therefore, may be exposed to power outages or disruptions if issues arise at power sites run by our contractors, which could impact our operations;
- as we expand in the future, we may be exposed to delays in meeting project milestones and/or increase in costs, which may increase our financing costs and reduce our anticipated return on capital; and
- our contractors may engage contract labor to complete specified assignments, and although we do not engage such laborers directly, we may be held responsible under applicable Indian laws for wage payments or other obligations to such laborers should our contractors' default on wage payments.

While we regularly monitor the implementation of various aspects of our business that have been contracted to such third-parties and manage our risk through performance guarantees, contractual indemnities, disclosure and confidentiality obligations and limitations of liability, it may not be possible for us to protect ourselves from all possible risks arising from third-party default, or to enforce such contractual protection and recover the full amount of any losses that we may suffer as a result of any delay or shortfall in performance. In the event of a material failure or disruption in committed services or supplies, we cannot assure you that we will be able to make alternative arrangements in reasonable time, on commercially acceptable terms, or at all. As a result, our business, results of operations, financial condition and prospects may be adversely affected.

Further, as a result of increased industrial development in India in recent years, the demand for contractors and agencies with specialist design, engineering and project management skills and services has increased, resulting in a shortage of and increasing costs of services of such contractors and agencies. We cannot be certain that such skilled and experienced contractors and agencies will continue to be available to us at reasonable rates in the future. Any deterioration in our relationships with our identified suppliers, or our failure to renegotiate acceptable terms may result in our incurring substantial additional costs, beyond our budgeted expenditure, in identifying and entering into alternative arrangements with other suppliers. Moreover, third party defaults that disrupt or otherwise affect our operations and that are not adequately resolved or cured in a timely manner may render us liable to regulatory intervention, cause damage to our reputation, and adversely affect our business, results of operations and financial condition.

Our operations may be adversely affected by strikes, work stoppages or increased wage demands by our or our contractors' workforce or any other industrial unrest or dispute.

We employ significant numbers of employees as well as contract laborers. While we have not experienced any major industrial unrest or dispute in the past, we cannot assure you that we will not suffer any disruption to our operations due to strikes, work stoppages or increased wage demands in the future. Further, if our or our contractors' work force unionizes in the future, collective bargaining efforts by labor unions may divert our management's attention and result in increased costs. We may be unable to negotiate acceptable collective wage settlement agreements with those workers who have chosen to be represented by unions, which may lead to union-initiated strikes or work stoppages. Any shortage of skilled and experienced workers caused by such industrial unrest or disputes may adversely affect our business, results of operations and financial condition.

We may not be sufficiently protected or insured against all potential losses to which we may be subject. If we incur a significant liability for which we are not fully insured or are unable to

successfully assert our claim, our business, results of operations and financial condition may be adversely affected.

We have in place on-shore property damage and business interruption policy, off-shore property damage and business interruption policy, marine cargo insurance annual sales turnover policy, terrorism and sabotage including political violence and war insurance, property damage and business interruption insurance policy, directors and officers liability policy, commercial general liability policy, public liability insurance policy and charterers' protection and indemnity liability insurance, subject to certain standard exclusions and deductibles, which we believe is in accordance with applicable law and customary industry practices in India. In particular, we have obtained terrorism insurance coverage for our Refinery and its ancillary facilities, keeping in view recent instances of terrorist activity in India as well as the proximity of our facilities in Bathinda to the India-Pakistan border. However, the extent and amount of our existing or future insurance coverage may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that we may suffer. Further, there are events that may expose us to losses or third-party liabilities, including war and nuclear events that may cause significant disruption to our operations, for which we are not insured, or not fully insured. If we incur a significant liability for which we are not fully insured or are unable to successfully assert our claim, our business, results of operations and financial condition may be adversely affected.

We rely on our senior executives and our skilled workforce to operate successfully and implement the key elements of our business strategy. Our inability to attract and retain such personnel may adversely affect our business, results of operations and financial condition.

The successful operations of our Refinery and its ancillary facilities, and the continued implementation of our business strategy and growth plans, will depend on the continued employment and performance of our senior executives and skilled workforce. Our performance also depends on our ability to identify, recruit and retain sufficient numbers of technical, sales, administrative support and other qualified personnel. Further, in view of increased competitive pressures in the Indian business environment and in particular, in the petroleum refining industry, we may face an increasing risk of employee attrition as well as increased demands for higher compensation and employee benefits. If any of our key personnel or a significant number of our trained workforce resign, or are unable to continue in their present roles and are not adequately replaced in reasonable time and at comparable or reasonable cost, our business, results of operations and financial condition may be adversely affected.

If we are unable to continue to enjoy the benefits of our association with our promoters to the same extent in the future, including in terms of recognition of our brand, market reach, equity and debt funding, human resources and infrastructure support, our business, results of operations, financial condition and prospects may be adversely affected.

We are promoted by HPCL and Mittal Energy Investments Pte. Ltd. ("MEI", and together with HPCL, our "Promoters"), with whom we believe we enjoy significant financial and operational synergies. We believe that we have derived, and will continue to derive, significant benefit from HPCL's association as a Promoter. We also expect to realise other operational synergies with HPCL including, with respect to off-take of liquid petroleum products, sourcing of crude oil and other petroleum related infrastructure. We believe our association with MEI as a Promoter offers us experience from a global industry perspective, with emphasis on financial management and expertise. As a result of our relationship with our Promoters, we also believe that we enjoy strong brand recognition, access to equity and debt funding, market reach, management, logistical and other infrastructure support.

If either or both of our Promoters disassociate from us in the future, or if we are otherwise unable to continue to enjoy any other benefits we derive from our association with our Promoters, our business and prospects may suffer and, in particular, our credit rating may be adversely affected, which may impair our access to debt

financing and our ability to grow our business. Any issues arising from the conduct of the Promoters, in the past or in the future, which adversely affects their brand or reputation, may adversely affect our business and prospects. In such event, we may be required to make alternative arrangements for the infrastructural support that we currently derive from our Promoters, for instance, in relation to any rebranding exercise as may be necessary. The costs of any such alternative arrangements may be significant, or we may not be able to find such alternative arrangements in a reasonable time or at all, which may in turn have an adverse effect on our business, results of operations, financial condition and prospects.

Any change to the ‘captive’ status of our CPP may entail significant compliance costs and in turn adversely affect our business, results of operations and financial condition.

Under the Electricity Act, 2003, CPPs benefit from reduced regulation and are not subject to the cross subsidy surcharge tariff regulations and other restrictions imposed by India’s Central Electricity Regulatory Commission and State Electricity Regulatory Commissions. CPPs can also avail themselves of certain tax and duty benefits. We cannot be certain that our CPP will retain captive status or that the benefits available in this respect under current regulations will continue to be available in the future. Any significant compliance measures or costs that we may be required to undertake or incur in this respect may have an adverse effect on our business, results of operations, financial condition and prospects.

Any disruption, failure or delay in the operation of our information technology systems may disrupt our operations and have an adverse effect on our business, results of operations and financial condition.

We have implemented various information technology systems that are critical to our operations, including for production, enterprise performance management, automation and reporting systems. These systems could be potentially vulnerable to security breaches, cyber intrusions, malfunctioning, damage or interruption from a variety of sources, including due to employee error, default or malice, as well as power outages. Any partial or complete disruption of our information technology systems may disrupt our operations and have an adverse effect on our business, results of operations and financial condition. Further, changes in technology and equipment will require us to make expenditures to continually upgrade our technologies and equipment from time to time. If we are unable to respond or adapt to changing trends and standards in technologies and equipment, or otherwise adapt our technologies and equipment to changes in market conditions or requirements, in a timely manner and at a reasonable cost, we may not be able to compete effectively.

Our future ability to use and protect our intellectual property rights may be impaired.

We have registered “” as our trademark and logo under classes 1, 4, 35 and 39 and registered the trademark of our polypropylene product brand ‘POLYSURE’ under classes 1 and 35 of the Indian Trade Marks Act, 1999. However, we do not have any registered patents for any of the technological processes we implement or intend to implement in our operations, or any registered logos or trade or brand names or marks for any of the products that we market or intend to market. As we operate in an intensely competitive business environment, our inability to effectively use or protect our intellectual property rights, including the logo and name of our Company, may adversely affect our business, results of operations and financial condition.

Increases in interest rates may adversely affect our results of operations and financial condition.

Increases in interest rates will increase our cost of borrowing, as 54.5% of our total borrowings as of June 30, 2019 are at a variable rate of interest. Although we currently enter into interest rate hedging or swap transactions with respect to certain of our financing agreements, we cannot assure you that we will be able to enter into interest rate hedging or swap transactions on commercially reasonable terms in the future, or that the terms of any such agreements or transactions will protect us fully against interest rate risk. Increase in interest expense may have an adverse effect on our business, results of operations and financial condition.

We cannot assure you of the completeness or the accuracy of industry statistical data contained in this Offering Memorandum.

While facts and other statistics in this Offering Memorandum have been based on various publications, reports from agencies and information from publicly available sources, we cannot guarantee the quality or reliability of such materials. Industry facts and other statistics have not been prepared or independently verified by us or any of our respective affiliates or advisers and, therefore we make no representation as to their accuracy or completeness. These facts and other statistics include the facts and statistics included in the section entitled “*Industry Overview*”. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon.

We have in the past purchased crude oil from the National Iranian Oil Company (“NIOC”), an Iranian company, and engaged in other transactions involving Iranian sanctions targets.

We purchase crude oil from entities in several countries. In financial year 2017, we resumed procuring crude oil from NIOC, an Iranian company, after the relaxation of sanctions by the United States. Our crude oil imports from NIOC in each of financial years 2019, 2018 and 2017 were approximately 1.2%, 9.1% and 9.6% respectively, of our total crude oil procurement for the respective year. We also chartered vessels operated by the National Iranian Tanker Company (“NITC”) during this same time period. On January 16, 2016, pursuant to the United States’ implementation of the Joint Comprehensive Plan of Action (the “JCPOA”), the United States had lifted various secondary sanctions imposed with respect to Iran. It had also resulted in the removal of a number of parties, including NIOC and NITC, from the Specially Designated Nationals and Blocked Persons List (the “SDN List”) maintained by the U.S. Department of the Treasury, Office of Foreign Assets Control. However, in May 2018, the United States announced the withdrawal of the United States from the JCPOA, and almost all of the U.S. sanctions that had been waived or lifted in January 2016 were reinstated in August 2018 and November 2018, respectively. We have not procured crude oil or chartered vessels from, or otherwise engaged in business with, NIOC, NITC or any entity listed on the SDN List after the re-imposition of Iran sanctions by the United States targeting such entities. If any entity or country from whom we purchase crude oil or charter vessels, or otherwise engage in business with, is targeted by U.S. or international sanctions now or in the future, it may affect our results of operations. Furthermore, as a result of our historic business dealings with Iranian companies, we may be subject to negative media or investor attention which could affect certain international investors’ perception of us.

Risks Relating to India

All of our assets and operations are situated in India and we are subject to regulatory, economic, social and political risks and uncertainties in India.

All of our Company’s employees and substantially all of our assets are located in India and we intend to continue to develop and expand our facilities therein. Consequently, our financial performance will be affected by changes in exchange rates and controls, interest rates, commodity prices, subsidies and controls, changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India.

The GoI exercises overarching influence over many aspects of the Indian economy. Since 1991, successive Indian governments have pursued policies of economic liberalisation, including by significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant and these liberalisation policies might not continue. The rate of economic liberalisation could change, and specific laws and policies affecting natural resources companies, foreign investments, currency exchange rates and other matters affecting

investment in India could change as well. Any significant adverse change in the Central Government's policies may have a significant impact on the crude oil and natural gas sector development and business and economic conditions in India generally, which may adversely affect our business, results of operations, financial condition and our ability to pay principal and interest on the Notes, and could cause the trading price of our Notes to decline.

A decline in economic growth in India could adversely affect our business and results of operations.

We derive our revenue from our operations in India and accordingly, the performance and the growth of our business is dependent on the performance of the Indian economy. In the recent past, the Indian economy has been affected by various global economic uncertainties, the domestic and global policy and political environment, volatility in interest rates, currency exchange rates, commodity and electricity prices, adverse conditions affecting agriculture, rising inflation rates and various other factors. For instance, the economic growth of India is estimated to have decreased to 6.80% in financial year 2019 as compared to 7.20% in financial year 2018 (*Source: Economic Survey 2018-2019*). According to the World Bank data, the growth rate of India's GDP was 6.98%, 7.17% and 8.17% for the calendar years 2018, 2017 and 2016, respectively. The current slowdown in the Indian economy could adversely affect our business and our lenders and contractual counterparties, especially if such a slowdown were to be prolonged. Any substantial decrease in the rate of economic growth or adverse conditions in the Indian economy in general, could be expected to adversely affect our business, results of operations, financial conditions and prospects. The trend in market interest rates continues to be uncertain due to the increase in the fiscal deficit and the Indian Government's borrowing programme. Any increase in inflation in the future, due to increase in prices of commodities such as crude oil or otherwise, may result in a tightening of monetary policy. The uncertainty regarding liquidity and interest rates and any increase in interest rates or reduction in liquidity could adversely impact our Company's business.

Further, the Indian economy has in the past sustained high levels of inflation, although the GoI has in place various measures to curb inflation trends. However, there is no assurance that these measures will yield benefits as expected and in the event that increasing inflation trends return, RBI may resort to tightening controls on interest rates, which may affect our interest costs adversely.

In addition, the Indian market and the Indian economy are and have been influenced by economic and market conditions in other countries, including the recent trade tensions concerning the U.S. and China, which continues to escalate following the introduction of a series of tariff measures in both countries. Investors' reactions to developments in one country may have adverse effects on the economies of other countries, including the Indian economy. An economic downturn or recession in the U.S., Europe and other developed countries or a slowdown in economic growth in major emerging markets like China could have an adverse effect on economic growth in India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could influence the Indian economy and could have a material adverse effect on our business, financial condition and results of operations.

Natural and other disasters, including terrorist and drone attacks, and the inefficient management of the effects of such disasters, may have an adverse effect on our business, results of operations, financial condition and prospects.

Natural disasters such as earthquakes, tsunamis, floods, cyclones and droughts of a significant scale, may cause damage to our Refinery and ancillary facilities, our Crude Oil Pipeline or our COT, and we could suffer significant losses. For instance, in calendar year 2017, the state of Gujarat, where our SPM, COT and a portion of our Crude Oil Pipeline are located, witnessed devastating floods. Further, the state of Punjab, where our Refinery, the CPP and a part of the Crude Oil Pipeline are situated, is a seismic zone and is exposed to the risk of earthquakes.

Furthermore, there is a risk that we may be subject to terrorist acts, strikes and drone attacks which may disrupt or damage our Refinery and ancillary facilities. Recently, there has been escalating instability and outbreak of armed hostilities involving the Middle East and other oil-producing regions, including most recently in Saudi Arabia where two oil facilities, one of which is Saudi Aramco from which we source a portion of our crude oil requirements, were subjected to drone attacks on September 14, 2019. For our Company, there is a heightened risk particularly in the state of Punjab as our Refinery is situated approximately 200 km from the India and Pakistan border, which, similar to the Middle East, has a history of civil unrest and armed hostilities. As a result, such acts of terrorism, strikes and potential drone attacks could be directed against companies such as ours. Additionally, although we have extensive insurance coverage, our insurance policies do not extend to cover certain losses or damages to our properties resulting from terrorist acts, strikes, drone attacks, or other similar acts.

Any damage or failure resulting from natural or other disasters, including terrorist and drone attacks, as well as inefficient management of the effects of any such disaster, may cause temporary or extended interruptions in the completion or operation of our Refinery and its ancillary facilities, which may have an adverse effect on our business, results of operations, financial condition and prospects.

India's infrastructure is less developed than that of many developed nations and any material deterioration of such infrastructure may interrupt our business operations.

India's infrastructure is less developed than that of many developed nations and problems with its port, rail and road networks, electricity grid, communication systems or other public facilities could disrupt our normal business activity. Any material deterioration of India's physical infrastructure could harm the national economy, disrupt the transportation of goods and supplies including our products, and add costs to doing business in India. These problems could interrupt our business operations and reduce demand for our products, which may have an adverse effect on our business and results of operations.

Changing laws and policies and resulting uncertainties, unfavorable application of such laws and policies may adversely affect our business, results of operations, financial condition and prospects.

The regulatory and policy environment in which we operate is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect our business, financial condition, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy.

The GoI introduced a comprehensive national GST regime that combines taxes and levies by the Central and State Governments into a unified rate structure. The GST regime has been implemented from July 1, 2017 and has replaced the indirect taxes levied on goods and services subject to certain exceptions, which are collected by the GoI and State Governments, such as central excise duty, service tax, central sales tax, state VAT, surcharge and cess. The GST regime is at a nascent stage and the law relating to GST is undergoing frequent amendments. While petroleum products are currently largely outside the scope of the GST regime. Any future increases or amendments may affect the overall tax efficiency of companies operating in India, including our Company, and may result in significant additional taxes becoming payable.

Additionally, the GoI notified the Insolvency and Bankruptcy Code, 2016 (the "**Code**"), as amended, which creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, to facilitate a formal and time-bound insolvency resolution and liquidation process. It allows creditors to assess the viability of a corporate debtor as a business decision, and agree upon a plan for its revival or a speedy liquidation. The Code enables a creditor to initiate a corporate insolvency resolution process against the corporate debtor, including on default in payment of debt. If the provisions of the Code are invoked against us, it may affect our ability to pay back our creditors and enforcement of creditor rights will be subject to the Code.

Further, the Companies (Amendment) Act, 2019 seeks to bring about certain changes in relation to identification of significant beneficial owner, and corporate social responsibility related spending, including penal provisions in the nature of fines and imprisonment.

We have not determined the impact of these recent legislations on our business. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy in the jurisdictions in which we operate, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may adversely affect our business, results of operations, financial condition and prospects.

Regulation of emissions of greenhouse gases may force us to incur increased capital and operating costs and may have an adverse effect on our results of operations and financial condition.

There has been a global regulatory trend for new legislation aimed at the reduction of emissions of greenhouse gases, such as carbon dioxide and methane, and for the creation of enhanced incentives for use of renewable energy and increased efficiency in energy supply and use. If India were to adopt new legislation regarding greenhouse gas emissions, it may require us to incur costs to monitor and report emissions or reduce the emissions associated with our operations. For instance, we have so far incurred capital expenditure excluding finance costs of ₹ 10,105 million for the three months ended June 30, 2019 and in financial years 2019, 2018 and 2017 to upgrade our Refinery to produce BS VI grades of transportation fuels in line with GoI's mandate to switch to cleaner fuels by April 2020. Further, increased awareness in relation to emission of such greenhouse gases and its impact on the environment may also adversely affect demand for refined petroleum products that we produce. Any increased costs or reduced demand may adversely affect our business and results of operation.

Investors may not be able to enforce a judgment of a foreign court against us or our management, except by way of a suit in India on such judgment.

Our Company is a limited liability company incorporated under the laws of India. A majority of our Directors and senior management personnel named in this Offering Memorandum are residents of India. Further, all of our assets are located in India. As a result, it may be difficult for investors to effect service of process upon our Company or to enforce judgments obtained against our Company or our officers. The recognition and enforcement of foreign judgments in India are governed by Sections 13, 14 and 44A of the Civil Code, which provide that a suit must be brought in India within three years of the date of the judgment sought to be enforced. Generally, there may be considerable delays in the disposal of suits by Indian courts.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from RBI under the FEMA in accordance with the ECB Directions to repatriate any amount recovered, and such approval may not be forthcoming. For further details, see *"Enforceability of Civil Liabilities"*.

Inflation in India may adversely affect our business.

India has experienced, in the past, high rates of inflation and we cannot assure you that the rates of inflation will not increase in the future, which could have an effect on the demand for petroleum products and our ability to sell those products. The GoI takes measures to control inflation from time to time, which have included tightening monetary policy by raising interest rates, restricting the availability of credit and inhibiting economic growth. Periods of higher inflation may also slow the growth rate of the Indian economy, which could also lead to a reduction in demand for petroleum products. Moreover, the reporting currency of our financial statements is the Indian Rupee, and fluctuations in the value of the Indian Rupee that result from inflation, could affect our results of operations and financial condition. To the extent demand for our products decrease, or costs and

expenses increase, and we are unable to pass those increases in costs and expenses on to our customers, our operating margins and operating income may be adversely affected.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Notes.

As of the date of this Offering Memorandum, India's sovereign rating was Baa2 (Moody's), BBB- (S&P) and BBB- (Fitch). Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings, the terms on which we are able to finance future capital expenditure, or our ability to refinance any existing indebtedness. This could have an adverse effect on our capital expenditure plans, business and financial performance, and the trading price of the Notes.

A decline in India's foreign exchange reserves may reduce liquidity and increase interest rates in India, which could have an adverse impact on us.

Flows to foreign exchange reserves can be volatile, and past declines have adversely affected the valuation of the Indian Rupee. The Indian Rupee has experienced depreciation over the past years and continues to experience volatility. Any increased intervention by RBI to correct such volatility in the foreign exchange market or other measures by RBI to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves, reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business and our future financial performance.

Risks relating to the Notes

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the Notes, depends on our consolidated financial condition and operating performance. We may be unable to maintain a level of cash flow from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Notes. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, to dispose of material assets or operations, to seek additional debt or equity capital or to restructure or refinance our indebtedness, including the Notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreements governing our other credit instruments and the Trust Deed will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the Notes. If we cannot make scheduled payments on our debt, we will be in default and holders of the Notes could declare all outstanding principal and interest to be due and payable, the lenders under the other debt instruments could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. We may not be able to make required payments in connection with the Notes if the requisite regulatory approval for early redemption of the Notes is not received. All of these events could result in your losing your investment in the Notes.

Enforcing your rights under the Notes across multiple jurisdictions may prove difficult.

Our Company is incorporated under the laws of India. The Notes and the Trust Deed will be governed by English law. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in India and England. Such multi-jurisdictional proceedings are complex, may be costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of India and England may be materially different from, or be in conflict with, each other and those with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply and could adversely affect your ability to enforce your rights under the Notes in the relevant jurisdictions or limit any amounts that you may receive.

The Indian Insolvency and Bankruptcy Code may differ from bankruptcy laws of other jurisdictions with which Noteholders are familiar.

An insolvency proceeding relating to us under the Indian Insolvency and Bankruptcy Code, 2016 would likely involve procedural and substantive provisions which may differ from comparable provisions of bankruptcy laws in jurisdictions outside India, with which the holders of the Notes may be familiar.

Claims of our secured creditors will have priority with respect to their security over the claims of the holders of the Notes to the extent of the value of the assets securing such indebtedness.

Claims of our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to any secured indebtedness and our other secured obligations to the extent of the value of the assets securing such indebtedness or other obligations. As of June 30, 2019, we had an aggregate principal amount, including unamortised ancillary borrowing costs, of ₹ 201,847 million of secured debt outstanding. The Trust Deed will allow us to incur additional secured indebtedness, which will be effectively senior to the Notes. In the event that any of our secured indebtedness becomes due or the creditors thereof proceed against the assets securing such indebtedness, the assets remaining after repayment of such secured indebtedness may not be sufficient to repay all amounts owed in respect of the Notes. As a result, holders of the Notes may receive less, ratably, than holders of secured indebtedness of our Company.

Early redemption of Notes prior to the Maturity Date may require the prior approval of RBI or the AD Bank in accordance with the ECB Directions.

Under the ECB Directions, any redemption of the Notes prior to the Maturity Date may require the prior approval of RBI or an AD Bank, as the case may be. Therefore, any repayment of the Notes prior to the Maturity Date as a result of early redemption pursuant to the Terms and Conditions of the Notes (Condition 6.2 (*Redemption for Taxation Reasons*)), Condition 6.3 (*Redemption for Change of Control Triggering Event*), Condition 6.4 (*Optional Redemptions*) or acceleration of the Notes upon an event of default pursuant to Condition 9 (*Events of Default*)) may require the prior approval of RBI or an AD Bank, as the case may be. There can be no assurance that such approval would be obtained in a timely manner or at all. In the absence of such an approval, we may not be able to redeem all or any of the Notes prior to the Maturity Date. Further, any modification or waiver of the Terms and Conditions of the Notes which has the effect of modifying or waiving terms which are not permitted under the ECB Directions will require prior approval from RBI, and such approval may not be forthcoming.

The redemption of the Notes prior to the Maturity Date may adversely affect your return on the Notes.

Our Company has the right to redeem some or all of the Notes prior to the Maturity Date in certain circumstances, as described in more detail under “*Terms and Conditions of the Notes—Optional Redemptions*” and “— *Redemption for Taxation Reasons*”. Optional redemption features are likely to limit the market value of the Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period.

We may be expected to redeem the Notes at times when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

We may not be able to repurchase all of the Notes upon a Change of Control Triggering Event.

As described under “*Terms and Conditions of the Notes*”, we will be required to offer to repurchase the Notes upon the occurrence of a Change of Control Triggering Event at 101.0 per cent. of their principal amount plus accrued and unpaid interest, if any, to and including the date of purchase. We may not have sufficient funds at the time of the occurrence of any Change of Control Triggering Event to repurchase the Notes in cash at such time or have the ability to arrange the necessary financing on acceptable terms. Our failure to redeem the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to repurchase the Notes and repay the debt. In addition, the definition of change of control includes a phrase relating to the sale of “all or substantially all” of the properties or assets of the Company. Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition under applicable laws. Accordingly, our obligation to redeem the Notes as a result of sale of less than all of our Company’s properties or assets may be uncertain. In addition, our ability to repurchase the Notes for cash may be limited by law, including the ECB Directions, or the terms of other agreements relating to our indebtedness outstanding at the time.

The right of the Noteholders to receive payments on the Notes is junior to certain tax and other liabilities preferred by law.

The Notes will be subordinated to certain liabilities preferred by law such as to claims of the GoI on account of taxes, and certain liabilities incurred in the ordinary course of our business. In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the Notes only after all of those liabilities that rank senior to these Notes have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due under the Notes.

The Terms and Conditions of the Notes contain covenants limiting our financial and operating flexibility.

The Terms and Conditions of the Notes contain covenants that will restrict our ability to, among other things, enter into transactions with affiliates or third parties, pay dividends on, or repurchase, capital stock and sell assets in certain circumstances. These limitations are subject to certain exceptions and qualifications described in “*Terms and Conditions of the Notes*”. These covenants could limit our ability to pursue our growth plans, restrict our flexibility in planning for, or reacting to, changes in our business and industry, and increase our vulnerability to general adverse economic and industry conditions. Any default under the covenants contained

in the Terms and Conditions of the Notes may lead to an event of default under the Notes and may lead to a cross default under our other indebtedness. We may not be able to pay any amounts due to Noteholders in the event of any such default and any such default may significantly impair our ability to satisfy our obligations under the Notes.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Trust Deed, there could be a default under the terms of these agreements or the Trust Deed, which could cause repayment of our debt to be accelerated.

Our financing documents contain restrictive covenants that require us to refrain from or obtain prior lender consent or provide prior intimations to lenders to take certain actions, including any change in our management or controlling interest, change in or expansion or abandonment of our business (including a change in the scope of our Refinery or undertaking any new project or expansion), incurrence of additional indebtedness (other than permitted indebtedness), making significant investments and capital expenditure, winding up, liquidation or dissolution of our affairs, or entering into a scheme of amalgamation or reorganization, certain disposal or acquisition of assets, creation of security interests (other than permitted interests), entering into any material contracts other than in the ordinary course, making changes to the material contracts and documents relating to our business and our Company, such as the Product Off-take Agreement, the Pipeline Usage Agreement, and our constitutional documents. Such covenants may, among other things, increase our vulnerability to adverse economic and industry conditions, and restrict our ability to take prompt business actions, pursue our growth plans and our flexibility in planning for, or reacting to, changes in our business and our industry.

If we are unable to comply with the restrictions and covenants in in our debt agreements or the Trust Deed, or our future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of their debt and declare all amounts borrowed, including interest thereon, due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Trust Deed, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may result in the acceleration of repayment of debt, subject to RBI approval, including the Notes, or result in a default under our other debt agreements, including the Trust Deed. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure the Noteholders that such financing would be on terms that are favorable or acceptable to our Company.

The interest of our Promoters may conflict with the interest of Noteholders, and they may take actions that are not in, or may conflict with, the interest of the Noteholders.

Our Promoters can control matters requiring approval by our shareholders, including electing Directors and approving mergers or other business transactions. For information relating to the beneficial ownership of our shares, see “*Principal Shareholders*”. From time to time, we enter into, and we expect to continue to enter into, transactions with our Promoters and entities controlled by our Promoters and other related parties. See “*Related Party Transactions*” for a summary of our transactions with related parties. Although it is our policy to conduct these transactions on normal commercial terms and on an arm’s-length basis and we believe that each of our transactions have been entered into on normal commercial terms and on an arm’s-length basis, we cannot assure you that any amounts we may pay in these transactions would necessarily reflect the prices that would be paid by an independent third-party.

The Notes may not be a suitable investment for all investors.

Potential investors in the Notes must determine the suitability of such investment in light of their own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behavior of financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, exchange rate, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

A trading market for the Notes may not develop and there are restrictions on re-sale of the Notes.

Our Company has received an approval-in-principle for the listing of and quotation for the Notes on the SGX-ST. We cannot assure you that we will be able to maintain a listing on the SGX-ST, or that, if listed, an active trading market for the Notes will develop. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “—*The Notes are subject to restrictions on re-sales and transfers*”. We cannot predict whether an active trading market for the Notes will develop or be sustained. We also cannot assure you that you will be able to sell your Notes at a particular time or at all, or that you will receive favorable prices for them. If no active trading market develops, you may not be able to resell your Notes at their fair market value, or at all. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price. The liquidity of, and trading market for the Notes, may also be adversely affected by, among other things:

- prevailing interest rates;
- our operating performance and financial condition;
- the interest of securities dealers in making a market; and
- the market for similar securities.

It is possible that the market for the Notes will be subject to disruptions. Any disruptions may have a negative effect on holders of the Notes, regardless of our prospects and financial performance.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and related changes applicable

to our industry and general economic conditions, nationally or internationally, could cause the price of the Notes to change. Any such developments may result in significant and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global note certificate representing the Notes (the “**Global Certificate**”) will trade in book-entry form only, and Notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the Trust Deed. The common depository for Euroclear and Clearstream will be the sole registered holder of the Global Certificate. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Trust Deed. Upon the occurrence of an Event of Default under the Trust Deed, unless and until definitive registered Notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will not have the direct right to act upon the Issuer’s solicitations for consents, requests for waivers or other actions from the Noteholders; instead, you will be restricted to acting through the relevant clearing system. You will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to enable you to vote on a timely basis or to ensure the timely exercise of other rights under the Notes.

The Notes are not guaranteed by the HPCL-Mittal Pipeline, HPCL-Mittal Foundation, HPCL, MEI or India.

The Notes are not the obligations of, or guaranteed by, HPCL-Mittal Pipeline, HPCL-Mittal Foundation, HPCL, MEI or India. Although each of HPCL and MEI currently hold a 48.99% equity interest in our Company, neither HPCL nor MEI are providing guarantees in respect of the Notes. In addition, neither HPCL nor MEI is under any obligation to maintain our solvency. Therefore, investors should not rely on HPCL, HPCL-Mittal Foundation, MEI, HMPL or India to ensure that we fulfil our obligations under the Notes.

The Trustee may request Noteholders to provide an indemnity to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Noteholders to provide an indemnity, security or pre-funding to its satisfaction before it takes actions on behalf of the Noteholders. The Trustee shall not be obligated to take any such actions if it is not indemnified, secured or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity, security or pre-funding arrangement can be a lengthy process and may impact when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security or pre-funding to it, in breach of the terms of the Trust Deed and the terms and conditions of the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed, the terms and conditions of the Notes and applicable laws and regulations, it will be for the Noteholders to take such actions directly.

An Extraordinary Resolution or a request from holders of at least 25 per cent. in principal amount of the Notes for the time being outstanding will be required in order for Noteholders to direct the Trustee to accelerate the Notes pursuant to the terms and conditions of the Notes.

If the Noteholders wish to direct the Trustee to accelerate the Notes following the occurrence of an event of default under Condition 9, an Extraordinary Resolution of the Noteholders (as defined in the Trust Deed) must be passed or a request by holders of at least 25 per cent. in principal amount of the Notes then outstanding must be made. There can be no assurance that such an Extraordinary Resolution would be passed or such a request would be made and in such case the Noteholders will not be able to direct the Trustee to accelerate the Notes.

Modification, waivers and substitution may be made in respect of the Notes and the Trust Deed by the Trustee.

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The terms and conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement or the Notes that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach of any of the provisions of the Trust Deed, the Agency Agreement or the Notes that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. The terms and conditions of the Notes and the Trust Deed also contain provisions permitting the Trustee to agree with us, subject to certain conditions set out in the Trust Deed being complied with, and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of certain other entities in place of us, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes, provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future.

The Notes are expected to be assigned a rating of Ba2 by Moody's and BB- by Fitch. Our corporate ratings are Ba1 (negative) by Moody's and BB (stable) by Fitch. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the rating assigned to us or the Notes may adversely affect the liquidity or market price of the Notes.

The Notes are subject to restrictions on re-sales and transfers.

The Notes can only be issued to or offered as security to, and held by, investors who comply with the Eligibility Requirements (as defined in this Offering Memorandum). The Notes have not been registered under the Securities Act or any U.S. state securities laws and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act (for example, in accordance with the safe harbor provided by Regulation S) and applicable state securities laws. Furthermore, the Notes have not been registered under the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws. No Notes may be sold or transferred unless such sale or transfer is exempt from the registration requirements of the applicable securities laws. For certain restrictions on re-sales and transfers, see "*Subscription and Sale*", "*Selling Restrictions*" and "*Transfer Restrictions*". We cannot assure that any further offers and sales of the Notes within the United States and other countries comply with all applicable securities laws.

Investment in the Notes may subject investors to foreign exchange risks.

The Notes are denominated and payable in U.S. Dollars. If an investor measures its investment returns by reference to a currency other than U.S. Dollars, an investment in the Notes entails foreign exchange related risks, including possible significant changes in the value of the U.S. Dollars relative to the currency by reference to which an investor measures its investment returns, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the U.S. Dollars against such currency could cause a

decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign exchange differences gains (net) resulting from any investment in the Notes.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Indian securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including India. In recent years, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, and such standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available in these countries may not correspond to what investors in the Notes are accustomed to. Further, our securities are not listed on any other exchange and as such there may be less information available about us publicly in comparison with other listed entities.

Remittance of funds outside India pursuant to indemnification by our Company requires prior RBI approval.

Remittance of funds outside India by our Company pursuant to indemnity clauses or other similar payments under the Terms and Conditions of the Notes or the Trust Deed requires prior RBI approval. Any approval, if and when required, for the remittance of funds outside India is at the discretion of RBI and we cannot assure you that we will be able to obtain such approvals.

USE OF PROCEEDS

The gross proceeds from this offering will be U.S.\$ 300,000,000.

We intend to use the proceeds from this offering to repay a portion of our outstanding indebtedness to our lenders which may include the Lead Managers or their respective affiliates, in compliance with applicable laws, rules and regulations. However, to the extent that we are unable to complete procedural formalities to be able to use all of the proceeds from this offering for refinancing such outstanding indebtedness, then we intend to use the proceeds from this offering for capital expenditure purposes. For further details of our outstanding indebtedness, see “*Capitalization*” and “*Description of Material Indebtedness*”.

CAPITALIZATION

The following table sets forth our capitalization and indebtedness as of June 30, 2019 (i) on an actual basis; and (ii) on a pro forma basis to give effect to the issuance of the Notes and the application of the gross proceeds therefrom for purposes of refinancing a portion of our indebtedness.

You should read this table in conjunction with our financial statements and the notes thereto included elsewhere in this Offering Memorandum and the sections in this Offering Memorandum entitled “*Selected Financial and Other Data*” and “*Use of Proceeds*”.

	As of June 30, 2019 (Actual)	As adjusted for the Offering ⁽¹⁾
	(₹ in million)	
Equity		
Equity Share Capital	80,411	80,411
Other Equity	27,869	27,869
Total Equity (a).....	108,280	108,280
Long Term Borrowings		
Non-Convertible Debentures	20,448	10,248
Foreign currency redeemable bonds	25,516	25,516
Foreign currency loan from banks	118,863	108,387
Indian Rupee loan from banks	49,210	49,210
Indian Rupee loan from the GoP.....	6,421	6,421
Notes offered hereby ⁽²⁾	—	20,676
Total Long Term Borrowings (i)	220,458	220,458
Short Term Borrowings		
Foreign currency loan from banks	27,789	27,789
Indian Rupee loan from banks	2,794	2,794
Total Short Term Borrowings (ii).....	30,583	30,583
Current maturities of Indian Rupee loan from banks	2,500	2,500
Current maturities of foreign currency loan from banks	950	950
Current maturities of Indian Rupee loan from GoP	100	100
Total Current maturities (iii).....	3,550	3,550
Total Borrowings (i+ii+iii=b)⁽³⁾.....	254,591	254,591
Total Capitalization (a+b).....	362,871	362,871

Notes:

- (1) It is anticipated that the entire proceeds of the Notes will be applied to repay a portion of our outstanding indebtedness to our lenders (which may include the Lead Managers or their respective affiliates), in compliance with applicable laws, rules and regulations; however, to the extent that we are unable to complete procedural

formalities to be able to use all of the proceeds from this offering for refinancing such outstanding indebtedness, then we intend to use the proceeds from this offering for capital expenditure purposes. See “*Use of Proceeds*”.

- (2) The Notes offering of U.S.\$ 300,000,000 has been translated into Indian Rupees on the basis of ₹ 68.92 = U.S.\$ 1.00, being the exchange rate at the close of business on June 28, 2019. The amount of Notes translated into Indian Rupees is provided solely for the convenience of the reader and no representation is made that the Indian Rupee or the U.S. Dollar amounts referred to herein could have been or could be converted into any other currency at any particular rate, the above rate or at all.
- (3) Total Borrowings comprises Long Term Borrowings including Total Current maturities of Long Term Borrowings and Short Term Borrowings as classified in Ind AS financial information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited consolidated financial statements as of and for financial years 2019, 2018 and 2017 including the related notes, prepared in accordance with Ind AS, and the reviewed consolidated condensed interim financial information as of and for the three months ended June 30, 2019 and 2018 (together, the “Ind AS Financial Statements”), prepared in accordance with the recognition and measurement principles of Ind AS 34 “Interim Financial Reporting” prescribed under Section 133 of the Companies Act 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. The following discussion is based on our Ind AS Financial Statements. The Ind AS Financial Statements are included elsewhere in this Offering Memorandum.

Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12-month period ended March 31 of that year.

This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. See “Risk Factors” and “Forward-Looking Statements”.

Overview

We are a leading integrated refining and petrochemical company in India with operations that span crude oil refining, petrochemical production and marketing. We own and operate a petroleum refinery, the Guru Gobind Singh Refinery, including various ancillary facilities (our “**Refinery**”), near Bathinda, in the northern Indian state of Punjab. Our Refinery has a current crude oil processing capacity of 11.3 MMTPA and is the tenth largest individual petroleum refining complex in India, on the basis of installed capacity, as of April 1, 2019 (*Source: PPAC*). At inception the refining capacity was 9.0 MMTPA and we started our commercial production in December 2011. Subsequently, we expanded our refining capacity to 11.3 MMTPA in the financial year 2018.

Our Refinery has been designed with an advanced configuration and has one of the highest complexities among refineries in India. Our Refinery has an installed refining capacity of approximately 225 kilo barrels per day (“**kbpd**”) of crude oil, as well as the flexibility to process a wide variety of very heavy, high sulphur, high total acid number (“**TAN**”) crude oil grades, which, we believe, enables us to manage our crude oil procurement to take advantage of price differences between different grades of crude oil in order to enhance our refining margins. Our Refinery produces high value-added liquid petroleum products, such as high speed diesel (“**HSD**”), motor spirit (“**MS**”), liquefied petroleum gas (“**LPG**”), superior kerosene oil (“**SKO**”), aviation turbine fuel (“**ATF**”), Naphtha, Hexane, Bitumen and Mineral Turpentine Oil (“**MTO**”), as well as solid products, such as the widely used PP (for which we set up a separate 0.44 MMTPA polypropylene unit within our Refinery complex, and pursuant to which we commenced sales of polypropylene in financial year 2013; the capacity of the unit has thereafter been expanded to approximately 0.47 MMTPA), pet coke and sulphur.

We have also constructed a COT at Mundra, Gujarat, on the west coast of India, through our Subsidiary, HPCL-Mittal Pipelines Limited (“**HMPL**”), to receive, store and transport crude oil to our Refinery. The COT facility includes a SPM, 14 crude oil tanks to store approximately 5.3 million barrels of crude oil, and modern blending facilities, connected to a dedicated 1,017 km Crude Oil Pipeline from the COT to our crude receipt station situated at our Refinery. The ancillary facilities at our Refinery site include a 165 MW captive power plant (“**CPP**”), which almost meets the entire steam and power requirements of our Refinery. We also purchase some power from the grid. The fuel used in the CPP and the refinery includes pet coke, refinery gases and light cycle oil (“**LCO**”). We believe that this end-to-end dedicated infrastructure, from the point of import of crude oil through our SPM to our COT to our Refinery and the point of dispatch of our petroleum products, which also

utilizes HPCL's distribution pipeline in addition to our Crude Oil Pipeline, enables us to mitigate our dependence on third parties by providing security of feedstock supply to our Refinery. In order to reduce our production and volume risks, we have entered into a product off-take agreement (the "**Product Off-take Agreement**") with HPCL, pursuant to which HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products (except Naphtha) that we manufacture, until December 12, 2026. Thereafter, the Product Off-take Agreement may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Refinery subsequent to the increase in crude oil refining capacity from 9.0 MMTPA to 11.3 MMTPA. For financial year 2019 and the three months ended June 30, 2019, the volume of products sold by us to HPCL, pursuant to the Product Off-take Agreement, accounted for 81.8% and 83.4%, respectively, of total volume of our Company's product sales. For financial year 2019 and the three months ended June 30, 2019, our Company contributed approximately 21.1% and 20.5%, respectively, of HPCL's total sales; and our Company contributed 72.7% and 72.3%, respectively, of HPCL's northern India sales.

Our Company was incorporated on December 13, 2000 as Guru Gobind Singh Refineries Limited as a wholly owned subsidiary, by HPCL, one of the three state owned refining majors, a Forbes 2000 Company and a GoI enterprise with 'Navratna' (*gem*) status. Subsequently, pursuant to an agreement between HPCL and MEI, in 2007 we became a joint venture company with equal participation by HPCL and MEI, and our name was changed to HPCL-Mittal Energy Limited on December 31, 2007. Oil and Natural Gas Corporation Limited ("**ONGC**") holds, as of June 30, 2019, a 51.11% equity interest in HPCL. HPCL and MEI each hold, as of June 30, 2019, a 48.99% equity interest in our Company. The remaining 2.02% equity interest is held by the following Indian financial institutions: State Bank of India, IFCI Limited and HDFC Standard Life Insurance Company Limited.

Based on the Petroleum Planning and Analysis Cell report (MoPNG), for financial year 2019, we believe that HPCL had an approximately 21% share of the petroleum products market of India amongst the public sector oil marketing companies ("**OMCs**"). Further, as of April 1, 2019, we believe that HPCL had an approximately 6% share in India's refining capacity (excluding its joint-venture capacity). It operates two petroleum refineries in India producing a variety of petroleum fuels and specialties, one in Mumbai with a capacity of 7.5 MMTPA, and the other in Visakhapatnam with a capacity of 8.3 MMTPA. HPCL's consolidated total revenues (including excise duty) for the three months ended June 30, 2019 and financial year 2019 were ₹ 755 billion and ₹ 2,986 billion, respectively. For the three months ended June 30, 2019 and financial year 2019, we accounted for 42% of HPCL's total refining capacity in each of the periods (calculated by considering HPCL's refining capacity in Mumbai and Visakhapatnam and our Refinery) (*Source: PPAC*). MEI, the largest shareholder of the world's largest steel producing company, ArcelorMittal, is a part of the Lakshmi N. Mittal group, and some of its other affiliates hold interests in enterprises involved in oil and gas and infrastructure.

Significant Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition have been affected and will continue to be affected by a number of significant factors, including the following:

Availability and cost of crude oil

The production of refined petroleum products is dependent on the available supply of crude oil. Our cost of raw materials consumed constitutes the largest component of our cost structure. For the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, our cost of raw materials consumed was ₹ 106,633 million, ₹ 416,140 million, ₹ 226,347 million and ₹ 214,426 million, or 91.7%, 88.1%, 81.4%, and 78.9%, of our net revenue from operations (net of excise duty), respectively. We actively manage our crude oil feedstock requirements through a combination of long-term contracts with reliable suppliers and spot purchases in order

to maximize the security of our crude oil feedstock supply, while enabling us to benefit from price differences between different grades of crude oils, and in particular between heavy-sour and light-sweet crude oils.

We have a list of diversified suppliers and are registered with 80 suppliers including 20 NOCs, 10 international oil majors, 15 equity producers and 35 traders as of August 31, 2019. Our strategy and feedstock supply group (“SFSG”) has overall responsibility for planning, scheduling and procurement of feedstock, its transportation from source locations to the Mundra terminal and managing and monitoring price and other associated risks.

Substantially all of our crude oil purchases are linked to the prevailing international prices for the relevant grade of crude oil. The price of crude oil is subject to frequent and significant fluctuations and is affected by several factors, including changes in global economic conditions, the political situation in major oil-producing countries, global inventory levels, local market demand, seasonal demand fluctuations, transportation costs of crude oil and other feedstock and refined petroleum products, the extent of government regulation and exchange rate fluctuations, particularly fluctuations in the value of the Indian Rupee against the U.S. Dollar.

The table below sets forth the average daily price for Arab Heavy Crude and Doba Crude, as well as a crude mix containing Arab Heavy and Doba crudes in the ratio of 90:10 for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

	2017	2018	2019	Three months ended June 30, 2019
		(U.S. Dollars per barrel)		
Crude⁽¹⁾				
Arab Heavy.....	44.16	54.13	68.48	67.28
Doba	43.30	55.86	67.80	69.82
Arab Heavy/Doba Mix ⁽²⁾	44.07	54.30	68.41	67.54

Notes:

- (1) Arab Heavy, Doba and crude mix containing Arab Heavy and Doba crudes in the ratio of 90:10 has been presented for indicative purposes only to correspond to the assumption used in our product slate. Our Refinery has the flexibility to process over two hundred different types of crude oil and the table above should not be construed as an indication of our expected crude oil procurement plans.
- (2) Arab Heavy and Doba crudes in the ratio of 90:10.

We are exposed to fluctuations in the availability and price of crude oil and we may not be able to effectively pass on any increase in cost to our customers, which may affect our margins, sales, results of operations and cash flows.

Gross refining margins

Our results of operations are primarily affected by the price difference, or gross refining margin (“GRM”), between the cost of crude oil and other feedstock and the sales price of our petroleum products. The international price of crude oil is the most significant factor influencing our cost of crude oil and other feedstock and the sales prices for our petroleum products and consequently, our GRMs. Historically, international refining margins have been volatile and are likely to continue to be volatile in the future.

In assessing our operating performance, we compare our refining margins against published benchmark industry refining margins. The performance of refineries in India are generally benchmarked against the Singapore

benchmark GRM. The table below sets forth the Singapore benchmark GRM for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

	2017	2018	2019	Three months ended June 30, 2019
	(U.S. Dollars per barrel)			
Benchmark				
Singapore Benchmark GRM	5.83	7.22	4.92	3.48

Source: Reuters.

For the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, we reported GRMs of U.S.\$ 10.00/barrel (“bbl”), U.S.\$ 12.39/bbl, U.S.\$ 15.10/bbl and U.S.\$ 15.87/bbl, respectively. Our Refinery’s GRM on a per barrel basis differs from the benchmark due to a variety of factors, including, actual type of crude oil throughput, petroleum products and polypropylene production, type of fuel used in various units including the power plant and cost thereof, transportation costs, storage costs, rate of custom duty on products where applicable, exchange rate between the U.S. Dollar and Indian Rupee and any product premiums or discounts, as well as inventory fluctuations. Furthermore, from financial year 2014 to financial year 2019, our cumulative improvement in GRMs was U.S.\$ 3.28/bbl. These improvements are due to the following operational improvements which we implemented:

- In 2015, FCC operation was optimized to increase MS production by reducing benzene concentration in blend streams.
- In 2017, the splitting of DHDN Naphtha helped to reduce production of low value Naphtha, while improving production of higher value HSD and MS products.
- In 2017, nitrogen was used in lieu of fuel gas for purging flare stack, which helped to reduce fuel loss, and the building of high TAN crude processing capabilities allowed us to procure high TAN (acidity) crude which could be available at higher discounts.
- In 2018, the building of the CFBC boilers have allowed us to use low value pet coke for steam generation, in lieu of LCO available diesel blend component, thus improving HSD yield.
- In 2018, the building of the third PP reactor has improved the PP unit performance; it helped reduce lump formatting and thus increased PP production by approximately 50 KTPA.
- Continuous improvement in fuel and loss in processing of crude oil over the years.

In 2018, the Bitumen unit enhanced our Refinery’s secondary processing capacity, thus allowing the primary units to operate at higher throughputs.

Our Refinery has certain crude oil feedstock-cost and product-value advantages as compared to the benchmark. Our Refinery has the flexibility through the use of advanced technical systems to process different types of crude oil into a superior product slate, comprising a high percentage of value-added liquid products, such as HSD, MS and LPG, and solid products, such as polypropylene, and a low percentage of heavy-ends and fuel oil.

Production volumes and product mix

The key driver in the growth of our revenue from operations has been the volume of products manufactured and sold by us. Our production volumes are determined on projected market demand and we use specialized

planning and optimization tools, crude assay management software and databases, as well as advanced scheduling tools, to procure crude, plan and schedule our operations. These tools take into account available crude oil, procurement and pricing information and information relating to changes in product demand in the markets in which our products are sold, enabling us to benefit from price differences between different grades of crude oil, increase throughput, improve process efficiencies and enhance our GRMs. Although we continue to maximize certain high value-added products, such as polypropylene, we expect that these adjustments to our operations in response to product demand and the availability of feedstock will result in certain changes to the mix of products that our Refinery produces. See “*Our Business — Our Refinery*” for our production volumes for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017.

The utilization rate of our Refinery affects our GRMs. Higher utilization rates help spread our fixed operating expenses over a larger number of products, which reduces our unit cost of production. The utilization of our Refinery also depend on the margins which we can obtain for our various products, as we can alter our product mix to some extent to take advantage of fluctuating margins of our various products to maximize our profits. The table below includes our capacity utilization for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

2017			2018 ⁽¹⁾			2019			Three months ended June 30, 2019		
Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)
9.0	10.5	116.9	9.0/11.3	8.8	108.9	11.3	12.5	110.4	11.3	3.2	113.5

Note:

- (1) In financial year 2018, our Refinery was shut down for a total of 86 days for turnaround and for capacity enhancement from 9.0 MMTPA to 11.3 MMTPA. Accordingly, figures for this period calculated only for the operational period (shutdown period has been excluded).

We routinely schedule major turnaround maintenance for our Refinery every three to four years for periods of approximately 35 days. Our utilization rate is impacted by actual shutdown time for scheduled and unscheduled maintenance, including the time needed to gradually reduce production for the shutdowns and to resume full production following the shutdown. See “*Risk Factors—Risks relating to our Business—Any significant interruption in our operations may reduce our production volumes and have an adverse effect on our business, results of operation and financial condition*”. The Refinery was shut down for a total of 86 days during financial year 2018 for turnaround and capacity enhancement from 9.0 MMTPA to 11.3 MMTPA. Additionally, beginning on August 29, 2019, certain process units at the Refinery were temporarily slowed down or shut down at various points in time to upgrade the HGU to facilitate production of Bharat Stage (“BS”) VI MS and HSD, and to perform maintenance on some units to improve operational efficiency. Since September 13, 2019, production has been progressively ramping up. Further, we propose to have a planned shutdown of our Refinery lasting approximately 35 days during September and October of calendar year 2020 for turnaround maintenance.

We have diversified our product portfolio, which consists of a range of liquid and solid products and we believe that our best-in-class Refinery configuration gives us the ability to offer a superior refinery product slate, thereby improving our refining margins. Our Refinery produces high value-added liquid petroleum products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane, Bitumen and MTO, as well as solid products, such as PP, pet coke and sulphur. The introduction of our new product, Bitumen, in financial year 2018 improved our operational flexibility to enhance GRM and crude throughput. Thus, we derive our revenues from the sales of a variety of products, which we believe assists us in mitigating the concentration risks associated with

operations in a specific product segment. We have also enhanced the capacity of polypropylene in financial year 2018 from 0.44 MMTPA to approximately 0.47 MMTPA in order to improve profitability.

Pricing for petroleum products in India

Liquid Products: Under the Product Off-take Agreement, the price of MS, HSD, SKO, LPG and ATF purchased by HPCL will be based on prevalent industry practice in India, which is presently trade parity pricing for MS and HSD, and import parity pricing for other products. The import parity price for a petroleum product is generally intended to reflect the notional price that an Indian importer would have to pay to import the product from the Arab Gulf to a particular geographic region. The trade parity price is generally the sum of 80% of import parity pricing and 20% of export parity pricing. Export parity pricing is generally intended to reflect the notional price that an Indian export would realize by exporting its petroleum products and is based on the free-on-board (“**FOB**”) price of the product in the international market sold at the nearest port to our Refinery.

Consequently, the sale prices for MS, HSD, SKO, LPG and ATF to HPCL under the Product Off-take Agreement will significantly depend on the international prices for those products and, in particular, the international prices for those products on an FOB Arab Gulf basis. Consequently, the prices we receive for most of our petroleum products will substantially depend on international prices for petroleum product, particularly the price for such products FOB Arab Gulf. For further details on the pricing under the Product Off-take Agreement, see “*Our Business — Sales and Marketing — Product Off-take Agreement*”.

The table below sets forth the FOB Arab Gulf product prices for MS, HSD, SKO, LPG, ATF and Naphtha for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

	2017	2018	2019	Three months ended June 30, 2019
	(U.S. Dollars per metric ton)			
Benchmark				
Gasoil 10 ppm AG.....	427	509	614	583
92R Gasoline AG.....	503	552	613	593
SKO/ATF AG.....	449	535	648	613
LPG	393	486	526	492
Naphtha	416	495	571	514

Source: Platts average prices.

Under the Product Off-take Agreement, the price of Hexane and MTO purchased by HPCL are subject to the mutual agreement between us and HPCL.

Since financial year 2018, we have also started selling Bitumen to HPCL at a negotiated price predominantly based on import parity. Realized prices of Bitumen in U.S.\$/metric ton for the three months ended June 30, 2019 and financial years 2019 and 2018 were U.S.\$ 329.84, U.S.\$ 380.76 and U.S.\$ 363.65, respectively.

Solid Products: The solid petroleum products produced by our Refinery, including polypropylene, pet coke and sulphur, are not subject to the Product Off-take Agreement and we market and distribute these solid petroleum products ourselves using strategies specific to each product. We set the prices of our solid petroleum products based on international prices, import duty wherever applicable, freight prices charged by the largest competitor in the industry in particular geographical regions, exchange rates, demand and supply of the products and inventory levels, among other factors.

The table below sets forth the product prices for polypropylene, pet coke and sulphur for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

	2017	2018	2019	Three months ended June 30, 2019
		(U.S. Dollars per metric ton)		
Product				
Polypropylene.....	1,134.85	1,306.39	1,295.62	1,281.62
Pet Coke	101.56	124.53	140.95	132.73
Sulphur	81.74	139.00	156.95	116.34

Source: HMEL actual realized prices

Pricing for both our liquid and solid products is also driven by the demand-supply scenario in India.

Tax incentives

We have received and expect to receive certain financial incentives and tax-related benefits in connection with our Refinery operations, including:

- our port operations are eligible for 100% tax holiday for a period of ten years in a block of fifteen years beginning from the financial year in which commercial operations commenced; and
- we have been granted a deferment of central sales tax (“CST”) by the GoP to the maximum extent of 300% of the fixed capital investment for 15 years from the date of commencement of commercial production, with deferred CST payable in 30 half yearly instalments commencing after the expiry of the 15th year from the date of commencement of commercial production, which was on December 3, 2011 (the “**Commencement Date**”).

Further, we have been granted several incentives by the GoP, such as:

- an interest free loan of ₹ 2,500 million per annum for a period of five years amounting to a total of ₹ 12,500 million from the Commencement Date. This loan is required to be repaid after the expiry of 66 months from the date of disbursement;
- exemption from electricity duty on generation of power for own consumption in the Refinery for 15 years from the Commencement Date;
- exemption from entry tax and octroi on crude oil for a period of ten years, from the Commencement Date;
- exemption from such taxes and levies as are not existing on the date of signing of the deed of assurance signed by the GoP in favor of Guru Gobind Singh refinery project setup by HMEL (the “**Deed of Assurance**”), dated August 12, 2005, which the State Government could levy itself or through its local authorities, village authorities, Improvement Trust or other bodies; and
- restriction on the rate and amounts of the existing taxes and levies excluding water and electricity charges, as prevailing on the date of signing of the Deed of Assurance for the duration of the incentives package, which is 15 years, beginning on August 12, 2005.

In addition to the above benefits applicable to our Refinery business, other benefits are expected to be applicable to our upcoming petrochemical complex project:

- an investment subsidy by way of reimbursement in the FCI, which consists of land, building, and plant and machinery, up to a 100% reimbursement of net GST for a period of 15 years, beginning from the date when the petrochemical complex project becomes operational, subject to 200% of the FCI. Net GST includes SGST, CGST and IGST calculated based on a predetermined formula;
- exemption from the CLU charges in the agriculture zone from the approved master plan and non-plan area related to the GoP's long term plan for development of the state;
- exemption or reimbursement from stamp duty on purchase or lease of land or building for industrial use for establishment of petrochemical complex project and associated facility, as and when such events occur;
- an employment generation subsidy, beginning from the date when the petrochemical complex project becomes operational, of ₹ 36,000 per employee per year for a maximum period of five years, and ₹ 48,000 per employee per year for female and certain other categories of employees for a maximum period of five years;
- a fixed electricity tariff of ₹ 5.00 per KVAH for five years, beginning from the date when the petrochemical complex project becomes operational, which will be further reduced during non-peak night hours; and
- exemption from electricity duty for 15 years, beginning from the date when the petrochemical complex project becomes operational.

Foreign exchange rate fluctuations

Our results of operations may be affected by both the transaction effects and translation effects of foreign currency exchange rate fluctuations particularly between the U.S. Dollar and the Indian Rupee. Most of our production costs come from crude oil imports, which require payment primarily in U.S. Dollars. On the other hand, while we receive a large proportion of our revenues from our sales of petroleum and petrochemical products in Indian Rupees, the prices of such products are also closely linked to U.S. Dollars. Therefore, substantially all of our revenues and expenses are directly linked to U.S. Dollars and our revenues and expenses which are denominated in U.S. Dollars are translated into Indian Rupees for inclusion in our financial statements. Variations in the value of the Indian Rupee can also affect profitability because of time differences for cost and sales transactions.

Further, a significant portion of our borrowings are denominated in foreign currencies and as of June 30, 2019, we had total outstanding foreign currency debt of ₹ 173,119 million (U.S.\$ 2,512 million). It is likely that a significant portion of our capital expenditures for the petrochemical complex may be incurred and/or financed in foreign currencies. Any depreciation in the Indian Rupee against the U.S. Dollar would increase our finance costs, whereas an appreciation in the Indian Rupee against the U.S. Dollar would reduce our finance costs.

The exchange rate between the Indian Rupee and other currencies, including the U.S. Dollar, has fluctuated substantially in recent years and may continue to fluctuate significantly in the future. See *“Risk Factors — Risks Relating to our Business – Currency exchange rate fluctuations could have an adverse effect on our financial results”* for further information.

We engage in hedging activities, including forward contracts and currency and interest rate swaps, to manage exposure to fluctuations in foreign currencies and interest rates on our financial results. Our hedging activities are designed to reduce, but do not eliminate completely, the effects of foreign currency fluctuations. Factors that could affect the effectiveness of our hedging activities include accuracy of sales forecasts, volatility of currency markets and the availability of hedging instruments.

Macroeconomic Conditions

We derive our revenue from our operations in India and so the performance and the growth of our business is dependent on the performance of the Indian economy. In the recent past, the Indian economy has been affected by global economic uncertainties and liquidity crisis, the domestic policy and political environment, volatility in interest rates, currency exchange rates, commodity and electricity prices, adverse conditions affecting agriculture, rising inflation rates and various other factors.

The Indian economy is undergoing many changes and it is difficult to predict the impact of certain fundamental economic changes on our business. Conditions outside India, such as a slowdown or recession in the economic growth of other major countries, especially the effect of a trade war between the United States and China, have an impact on the growth of the Indian economy and have adversely affected the demand for, and prices of, petroleum and petrochemical products. Additionally, an increase in the trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business.

Our Significant Accounting Policies

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Ind AS requires our 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 recognised in the consolidated financial statements is included in the following notes:

Critical judgments in applying accounting policies

The key judgments made by our management in applying our accounting policies which have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

- amount of provisions and contingencies that have been recognized in accordance with Ind AS 37 '*Provisions, Contingent Liabilities and Contingent Assets*', since the evaluation of the likelihood of the contingent events requires best judgment on the probability of exposure to potential loss; and
- amount of gain arising, resulting from our decision to settle the deferred central sales tax liability on a net present value basis, and to convert the resulting amount into an interest free loan from the GoP, as more fully described in note 29 of the 2019 financial statements included elsewhere in this Offering Memorandum.

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. We have based our 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 our control. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment (“PPE”)

The estimated useful lives of PPE 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. We review the useful life of PPE at the end of each reporting date.

Recoverable amount of PPE

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.

Post-retirement benefit plans

Employee benefit obligations (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.

Fair value measurement of financial instruments

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

Recognition of deferred tax asset

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

Current and non-current classification

We present 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, our 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 our 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
- We do 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 and liabilities include current portion of non-current financial assets and liabilities respectively. All other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle

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

Summary of significant accounting policies

PPE

Recognition and measurement

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

Cost comprises the purchase price, and borrowing costs if both the capitalization criteria are met and are 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 PPE when they meet the definition of PPE. Otherwise, such items are classified as inventory.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE. 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 until the next overhaul expenditure.

We have elected to use the carrying value of all of our PPE recognized as of April 1, 2015 and measured as per the previous GAAP, as the deemed cost of the PPE.

Subsequent costs and disposal

Subsequent expenditure related to an item of PPE 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 or life. All other expenses on existing PPE, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period in which such expenses are incurred.

For accounting periods commencing on or after April 1, 2011, exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable assets are adjusted to the cost of the asset. In accordance with MCA circular dated August 9, 2012, exchange differences adjusted to the cost of PPE are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, we do 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 or settlement of long-term foreign currency monetary items and pertaining to the acquisition of a depreciable asset are amortized over the remaining useful lives of the assets. We have elected to continue to apply this policy on exchange differences arising on long term foreign currency monetary items existing on March 31, 2016.

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

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

Depreciation and useful lives

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

	Useful Life (Years)
Building ⁽¹⁾	30
Building (culverts)	30
Building (roads)	5
Temporary buildings and water lines	3
Plant and equipment (refinery assets)	25
Plant and equipment (captive power plant)	40
Plant and equipment (crude oil pipeline)	30
Plant and equipment (pumps)	25
Plant and equipment (lab equipment)	10
Plant and equipment (others)	15
Railway sidings	15
Furniture and fixtures	10
Vehicles	8
Office equipment	5
Computer and peripherals – end user devices	3
Computer and peripherals – server	6

Note:

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

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

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

Fixed-bed catalyst (included in plant and equipment – refinery assets) are depreciated on an SLM basis over their useful life, determined based on individual chemical reports (ranging from one to eight years) or using the useful life mentioned in the table 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 the case of a specific spare, and over the useful life of that spare in the case of a common spare, from the date from which they are ready for use, which ranges between two to five years.

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

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. We have decided to use the carrying value of intangible assets recognized as of April 1, 2015 measured as per the previous GAAP as the deemed cost of intangible assets.

Amortization

Our intangible assets represent computer software only and are amortized 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 consolidated statement of profit and loss when the asset is derecognized.

Impairment of PPE and intangible assets

The carrying amounts of assets are reviewed at each reporting date if there is any indication of impairment based on internal and/or 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.

Financial instruments

Recognition and subsequent measurement

Financial assets and financial liabilities are recognized when we become a party to the contractual provisions of the instruments.

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

Financial assets

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.

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 amortized cost (including directly attributable transaction cost) using the effective interest method, less any impairment losses.

Financial assets at amortized cost

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

Financial assets at fair value through profit or loss

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

Impairment of financial assets

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

Derecognition of financial assets

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

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

Equity instruments and financial liabilities

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by us are recognized at the proceeds received. Incremental costs

directly attributable to the issuance of new ordinary equity shares are recognized as a deduction from equity, net of tax effects.

Financial liabilities

Financial liabilities subsequently measured at amortized cost

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

Derecognition of financial liabilities

- We derecognize financial liabilities when, and only when, our obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the standalone statement of profit and loss.

EIR

EIR is the rate that 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 amortized cost of a financial liability. When calculating the EIR, we estimate the expected cash flows by considering all of the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Derivative financial instruments

We enter into a variety of derivative financial instruments to manage our exposure in interest rate, commodity price and foreign exchange rate risks, including foreign interest rate swaps, exchange forward contracts and commodity derivatives respectively.

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

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

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the standalone balance sheet where there is a legally enforceable right to offset the 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 our or of the counterparty’s default, insolvency or bankruptcy.

Fair value measurement

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or our assumptions about pricing by market participants.

Borrowing costs

Borrowing cost includes interest expense as per the EIR and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to the interest cost. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessitates a substantial period of time to become 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.

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 labor 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.

Government grants and subsidies

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

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

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

When we receive grants or subsidies for non-monetary assets, the asset and the grant or subsidy are recorded at fair value amounts and recognized in 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 favorable interest rate is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is

subsequently measured as per the accounting policy applicable to financial liabilities. We have elected to reduce the grant related to income from the related interest expense.

Provisions

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

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

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 our control or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. We do not recognize a contingent liability but disclose its existence in the consolidated financial statements.

Employee benefits

Short-term employee benefits

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

Post-employment benefits

We operate the following post-employment schemes:

Defined contribution plan: Provident fund

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

Defined benefit plan: Gratuity

We have 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. We have created a fund with insurance companies in the form of a qualifying insurance policy, to cover the entire liability.

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

The present value of the defined benefit obligation denominated in Indian Rupee is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value

of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss.

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

Other long-term employee benefit obligations: Compensated absences

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

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

Revenue recognition

Sale of goods

Revenue is recognized as per Ind AS 115 'Revenue from contracts with customers'. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

Recovery of excise duty flows to us on our own account and becomes our liability 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 us on our own account, revenue includes excise duty.

We collect sales tax, value added taxes "VAT" and GST on behalf of the government and therefore, these are not economic benefits flowing to us and accordingly, are excluded from revenue.

We recognize revenue when we satisfy the performance obligation by transferring the promised goods or services to customers at an amount that reflect the consideration to which we expect to be entitled in exchange for those goods or services.

Interest income

Interest income derived from financial assets is recognized at the EIR applicable on initial recognition and is included in the 'other income' line item.

Accounting for foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of our entities are measured using the currency of the primary economic environment in which we operate (the "**functional currency**"). The consolidated financial statements are presented in Indian Rupee, which is our 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 differences (gains and losses) (net) 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 consolidated statement of profit and loss.

Foreign exchange differences (gains and losses) (net) regarded as an adjustment to borrowing costs are presented in the consolidated statement of profit and loss, within finance costs. All other foreign exchange differences (gains and losses) (net) with respect to long term foreign currency borrowings drawn after April 1, 2016 are presented in the consolidated statement of profit and loss on a net basis as required under Indian Accounting Standards. Foreign exchange differences (gains and losses) (net) with respect to long term foreign currency borrowings drawn prior to April 1, 2016 are included in property, plant and equipment and the corresponding depreciation effect is included under depreciation in the profit and loss account. For accounting of exchange gains and losses relating to long term foreign currency monetary items, refer to the accounting policy above on PPE.

Income taxes

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

Current tax

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

Deferred tax

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

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 the 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, they relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities, and they either intend to settle current tax liabilities and assets on a net basis or their taxable assets and liabilities will be realized simultaneously.

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 our management to allocate resources to the segments and assess their performance. An operating segment is one of our components that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of our other components.

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

Leases

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

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

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.

Segment Information

Our operations consist of only one operating segment, which is our 'refining of crude oil' operations. Accordingly, there is no separate reportable segment as per Ind AS 108 'Operating segments'.

Our secondary segments are the geographic distribution of our activities. Revenue and receivables are categorized by location of customers, while the other operating assets are categorized according to the location of the assets. Non-current operating assets includes property, plant and equipment, capital work in progress and intangible assets.

The following table presents revenue and certain asset information from our geographical segments:

Particulars	Non-current operating assets		Revenue	
	30 June		30 June	
	2019	2018	2019	2018
India.....	306,500	256,907	151,881	149,177
Outside India	—	—	863	2,365
Total	306,500	256,907	152,744	151,542

Our Results of Operations for the three months ending June 30, 2019 and 2018

The following table sets forth select financial data from our condensed interim consolidated statement of profit and loss for the three months ended June 30, 2019 and 2018, the components of which are also expressed as a percentage of total revenue for such period:

	Three months ended June 30			
	2018		2019	
	(₹ in million)	(% of Total Income)	(₹ in million)	(% of Total Income)
Income:				
Revenue from operations.....	151,542	98.1	152,744	98.6
Other income	2,897	1.9	2,208	1.4
Total income.....	154,439	100.0	154,952	100.0
Expenses				
Cost of raw materials consumed	96,917	62.8	106,633	68.8
(Increase)/decrease in inventories.....	(4,948)	(3.2)	(1,480)	(1.0)
Excise duty on sale of goods.....	39,087	25.3	36,510	23.6
Employee benefit expenses.....	868	0.6	878	0.6
Finance costs	3,904	2.5	2,502	1.6
Depreciation and amortization expense	2,986	1.9	3,060	2.0
Other expenses.....	8,797	5.7	3,458	2.2
Exploration costs written off.....	—	—	—	—
Total expenses	147,611	95.6	151,561	97.8
Profit before tax	6,828	4.4	3,391	2.2
Tax expenses				
Current tax (Minimum alternate tax)	1,477	1.0	668	0.4
Deferred tax charge/(credit).....	307	0.2	(70)	—
Total tax expenses	1,784	1.2	598	0.4
Profit for the year	5,044	3.2	2,793	1.8
Other comprehensive income				
Other comprehensive income not to be reclassified to profit/(loss) in subsequent period:				
Re-measurement losses on defined benefit obligations	20	—	(18)	—
Income tax impact	(7)	—	7	—
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent period	13	—	(11)	—

Three months ended June 30

	2018		2019	
	(₹ in million)	(% of Total Income)	(₹ in million)	(% of Total Income)
Total comprehensive income for the period.....	5,057	3.2	2,782	1.8

Revenues

Total Income. Our total income increased by 0.3% to ₹ 154,952 million for the three months ended June 30, 2019 from ₹ 154,439 million for the three months ended June 30, 2018, primarily due to a 3.5% increase in the volume of sales resulting from higher crude throughput facilitated by the commissioning of the Bitumen blowing unit in February 28, 2018, partially offset by a ₹ 689 million decrease in other income.

Revenue from Operations. Our revenue from operations increased by 0.8% to ₹ 152,744 million for the three months ended June 30, 2019 from ₹ 151,542 million for the three months ended June 30, 2018, primarily due to a 3.5% increase in the volume of sales resulting from higher crude throughput facilitated by the commissioning of the BBU in February 28, 2018, which was partially offset by a decrease in product prices, mainly on account of a decrease in average crude oil prices and a reduction in excise duty.

Other Income. Our other income decreased by 23.8% from ₹ 2,897 million for the three months ended June 30, 2018 to ₹ 2,208 million for the three months ended June 30, 2019, primarily due to changes in gain on currency and commodity derivative contracts and foreign exchange differences (gains and losses) (net).

Expenses

Cost of Raw Materials Consumed. Our cost of raw materials consumed increased by 10.0% to ₹ 106,633 million for the three months ended June 30, 2019 from ₹ 96,917 million for the three months ended June 30, 2018 primarily due to higher crude consumption with higher crude throughput, inventory loss on account of changes in crude and product prices, partly offset by lower crude price.

(Increase)/Decrease in Inventories. Our increase in inventories reduced by 70.1% to ₹ 1,480 million for the three months ended June 30, 2019, as compared to ₹ 4,948 million for the three months ended June 30, 2018, primarily due to differences in the quantity and cost of finished and intermediate goods, which also includes the impact of changes in crude prices.

Excise Duty on Sale of Goods. Our excise duty on sale of goods decreased by 6.6% to ₹ 36,510 million for the three months ended June 30, 2019 from ₹ 39,087 million for the three months ended June 30, 2018 primarily due to lower rates of central excise duty on HSD and MS.

Employee Benefits Expenses. Our employee benefits expenses increased by 1.2% to ₹ 878 million for the three months ended June 30, 2019 from ₹ 868 million for the three months ended June 30, 2018, primarily due to an increase in salaries and wages, resulting from an increase in the number of employees and an annual increment in salaries.

Finance Costs. Our finance costs decreased by 35.9% from ₹ 3,904 million for the three months ended June 30, 2018 to ₹ 2,502 million for the three months ended June 30, 2019 primarily due to lower exchange rate differences, relating to only those foreign exchange differences (gains and losses) (net) classified as an adjustment to borrowing cost.

Depreciation and Amortization Expenses. Our depreciation and amortization expenses increased by 2.5% to ₹ 3,060 million for the three months ended June 30, 2019 from ₹ 2,986 million for the three months ended June

30, 2018, primarily due to additional capital expenditure incurred since July 2018 resulting from depreciation associated with various small projects, and the foreign exchange impact included in depreciation.

Other Expenses. Other expenses decreased by 60.7% from ₹ 8,797 million for the three months ended June 30, 2018 to ₹ 3,458 million for the three months ended June 30, 2019, primarily due to a foreign exchange difference loss (net) of ₹ 5,607 million resulting from Indian Rupee depreciation, and a decrease in excise duty of ₹ 580 million partially offset by fair value loss on derivative contracts of ₹ 769 million.

Total Tax Expenses. Our total tax expenses decreased to ₹ 598 million for the three months ended June 30, 2019 from ₹ 1,784 million for the three months ended June 30, 2018 due to lower profit before tax.

Profit for the Period. Profit for the period decreased by 44.6% to ₹ 2,793 million for the three months ended June 30, 2019 from ₹ 5,044 million for the three months ended June 30, 2018, as a result of the factors described above.

Total Comprehensive Income. Our total comprehensive income decreased by 45.0% to ₹ 2,782 million for the three months ended June 30, 2019, compared to ₹ 5,057 million for the three months ended June 30, 2018, as a result of the factors described above.

Our Results of Operations for financial years 2019, 2018 and 2017

The following table sets forth select financial data from our consolidated statement of profit and loss for financial years 2019, 2018 and 2017, the components of which are also expressed as a percentage of total revenue for such periods:

	Financial Year					
	2017		2018		2019	
	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)
Income:						
Revenue from operations.....	424,886	98.0	399,431	98.1	623,780	98.8
Other income.....	8,746	2.0	7,577	1.9	7,655	1.2
Total Income.....	433,632	100.0	407,008	100.0	631,435	100.0
Expenses:						
Cost of raw materials consumed.....	214,426	49.4	226,347	55.7	416,140	65.9
(Increase)/decrease in inventories.....	(11,401)	(2.6)	5,465	1.3	(3,024)	(0.5)
Excise duty on sale of goods	153,149	35.3	121,423	29.8	151,501	24.0
Employee benefit expenses	2,527	0.6	2,725	0.7	3,217	0.5
Finance costs	10,731	2.5	11,527	2.8	13,399	2.1
Depreciation and amortization expense..	11,387	2.6	11,429	2.8	12,110	1.9
Other expenses	10,287	2.4	6,197	1.5	18,840	3.0
Exploration costs written off	14	—	45	—	11	—
Total expenses.....	391,120	90.2	385,158	94.6	612,194	96.9
Profit before tax.....	42,512	9.8	21,850	5.4	19,241	3.1
Tax expenses						
Current tax (Minimum alternate tax).....	4,695	1.1	4,638	1.2	4,110	0.7

	Financial Year					
	2017		2018		2019	
	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)
Deferred tax charge	6,911	1.6	918	0.2	449	0.1
Total tax expenses.....	11,606	2.7	5,556	1.4	4,559	0.8
Profit for the year	30,906	7.1	16,294	4.0	14,682	2.3
Other comprehensive income						
Other comprehensive income not to be reclassified to profit/(loss) in subsequent years:						
Re-measurement losses on defined benefit obligations	(13)	—	(4)	—	(75)	—
Income tax impact	3	—	—	—	26	—
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years	(10)	—	(4)	—	(49)	—
Total comprehensive income for the year	30,896	7.1	16,290	4.0	14,633	2.3

Financial year 2019 compared to financial year 2018

Revenue

Total Income. Our total income increased by 55.1% to ₹ 631,435 million for financial year 2019 from ₹ 407,008 million for financial year 2018, primarily due to an increase in sales volume resulting from the capacity increase of our Refinery from 9.0 MMTPA to 11.3 MMTPA, and higher product prices with increase in crude oil prices. Additionally, there was a decline in sales in financial year 2018 due to lower throughput resulting from the shutdown of our Refinery for turnaround and capacity enhancement.

Revenue from Operations. Our revenue from operations increased by 56.2% to ₹ 623,780 million for financial year 2019 from ₹ 399,431 million for financial year 2018, due to an increase in sales volume by 38.5% for financial year 2019 over financial year 2018 resulting from the capacity increase of our Refinery from 9.0 MMTPA to 11.3 MMTPA, and an increase in product prices along with increase in crude oil prices. Additionally, there was a decline in sales in financial year 2018 due to lower throughput resulting from the shutdown of our Refinery for turnaround and capacity enhancement.

Other Income. Our other income which primarily comprised of gain on settlement of deferred sales tax loan increased marginally by 1.0% to ₹ 7,655 million for financial year 2019 from ₹ 7,577 million for financial year 2018.

Expenses

Cost of Raw Materials Consumed. Our cost of raw materials consumed increased by 83.9% to ₹ 416,140 million for financial year 2019 from ₹ 226,347 million for financial year 2018, due to higher crude throughput and an increase in crude oil prices. There was an increase in crude throughput to 12.47 million metric tonnes (“MMT”) in financial year 2019 from 8.83 MMT in financial year 2018. The average price of international

brent crude oil increased to U.S.\$ 70.86/bbl during financial year 2019 from U.S.\$ 57.85/bbl during financial year 2018 (*Source: Refinitiv*).

(Increase)/Decrease in Inventories. Our increase in inventories was ₹ 3,024 million in financial year 2019, as compared to a decrease in inventories of ₹ 5,465 million for financial year 2018, which is primarily due to changes in quantity and inventory valuation of finished goods and intermediaries, along with changes in crude oil prices.

Employee Benefits Expenses. Our employee benefits expenses increased by 18.1% to ₹ 3,217 million for financial year 2019 from ₹ 2,725 million for financial year 2018, primarily due to an annual increase in salaries and wages, along with an increase in the number of employees.

Excise Duty on Sale of Goods. Our excise duty on sale of goods increased by 24.8% to ₹ 151,501 million for financial year 2019 from ₹ 121,423 million for financial year 2018 primarily because of the increase in our sales volume, resulting from the full-year impact of the capacity increase of our Refinery mid-way through financial year 2018 from 9.0 MMTPA to 11.3 MMTPA, which was partially offset by a reduction in excise duty rates.

Finance Costs. Our finance cost increased by 16.2% to ₹ 13,399 million for financial year 2019 from ₹ 11,527 million for financial year 2018, primarily due to higher interest cost resulting from higher average borrowing, along with higher foreign exchange differences (gains and losses) (net) to the extent the cost is considered as an adjustment to borrowing cost.

Depreciation and Amortization Expenses. Our depreciation and amortization expenses increased by 6.0% to ₹ 12,110 million for financial year 2019 from ₹ 11,429 million for financial year 2018, primarily due to additional depreciation on new capital expenditures and impact of foreign exchange effect from the depreciation of the Indian Rupee.

Other Expenses. Our other expenses increased by 204.0% to ₹ 18,840 million for financial year 2019, from ₹ 6,197 million for financial year 2018, primarily due to higher foreign exchange differences (gains and losses) (net) of ₹ 5,260 million because of the higher depreciation of the Indian Rupee against the U.S. Dollar by 6.4% in financial year 2019 as compared to 0.3% in financial year 2018, realized and unrealized losses on derivative contracts of ₹ 1,550 million, with the remainder of the increase resulting from the volume increase effect on various operating expenses, including consumption of chemicals, stores and spares, power and fuel, repair and maintenance expenses.

Exploration costs written off. Exploration costs written off decreased by 74.9% to ₹ 11 million for financial year 2019, from ₹ 45 million for financial year 2018, primarily due to relinquishment of exploration and production blocks.

Total Tax Expense. Our total tax expense decreased by 17.9% to ₹ 4,559 million for financial year 2019 as compared to ₹ 5,556 million for financial year 2018. This includes a deferred tax charge of ₹ 449 million for financial year 2019 as compared to a deferred tax charge of ₹ 918 million, and a net current tax expense of ₹ 4,110 million for financial year 2019 as compared to net current tax expense of ₹ 4,638 million for financial year 2018.

Profit/(Loss) for the year. Our profit after tax decreased by 9.9% to ₹ 14,682 million for financial year 2019 compared to a profit of ₹ 16,294 million for financial year 2018, as a result of the factors described above.

Total Comprehensive Income. Our total comprehensive income decreased by 10.2% to ₹ 14,633 million for financial year 2019 compared to ₹ 16,290 million for financial year 2018, as a result of the factors described above.

Financial year 2018 compared to financial year 2017

Total Income. Our total income decreased by 6.1% to ₹ 407,008 million for financial year 2018 from ₹ 433,632 million for financial year 2017, primarily due to lower throughput resulting from the shutdown of our Refinery for turnaround and capacity enhancement and decrease in other income.

Revenue from Operations. Our revenue from operations decreased by 6.0% to ₹ 399,431 million for financial year 2018 from ₹ 424,886 million for financial year 2017, primarily due to reduction in sales volume resulting from the shutdown of our Refinery for turnaround and capacity enhancement.

Other Income. Our other income decreased by 13.4% to ₹ 7,577 million for financial year 2018 from ₹ 8,746 million for financial year 2017, primarily on account of volume impact and lower foreign exchange rate gains, partially offset by higher realized and unrealized gain on derivatives contracts.

Expenses

Cost of Raw Materials Consumed. Our cost of raw materials consumed increased by 5.6% to ₹ 226,347 million for financial year 2018 from ₹ 214,426 million for financial year 2017, primarily due to an increase in average crude prices partly offset by impact of lower throughput. The average price of international Brent crude oil increased to U.S.\$ 57.85/bbl during financial year 2018 from U.S.\$ 49.88/bbl during financial year 2017 (Source: Refinitiv).

(Increase)/Decrease in Inventories. Our decrease in inventories was ₹ 5,465 million for financial year 2018 as compared to an increase in inventories of ₹ 11,401 million for financial year 2017, which is on account of a change in quantity and inventory valuation of finished goods and intermediaries with changes in crude oil prices.

Employee Benefits Expenses. Our employee benefits expenses increased by 7.8% to ₹ 2,725 million for financial year 2018 from ₹ 2,527 million for financial year 2017, resulting from an annual increase in salaries and wages.

Excise Duty on Sale of Goods. Our excise duty on sale of goods decreased by 20.7% to ₹ 121,423 million for financial year 2018 from ₹ 153,149 million for financial year 2017, primarily resulting from the increase of our Refinery from 9.0 MMTPA to 11.3 MMTPA, partially offset by a reduction in excise duty rates.

Finance Costs. Our finance costs increased by 7.4% to ₹ 11,527 million for financial year 2018 from ₹ 10,731 million for financial year 2017, primarily due to higher interest cost resulting from higher average borrowing along with higher exchange rate differences to the extent the cost is considered as an adjustment to borrowing cost.

Depreciation and Amortization Expenses. Our depreciation and amortization expenses marginally increased by 0.4% to ₹ 11,429 million for financial year 2018 from ₹ 11,387 million for financial year 2017, primarily due to additional depreciation on new capital expenditures.

Other Expenses. Our other expenses decreased by 39.8% to ₹ 6,197 million for financial year 2018 from ₹ 10,287 million for financial year 2017, primarily due to a decrease of excise duty on inventories, and a zero loss on derivative contracts in financial year 2018 in contrast to the loss sustained in financial year 2017.

Exploration costs written off. Exploration costs written off increased by 221.0% to ₹ 45 million for financial year 2018, from ₹ 14 million for financial year 2017, primarily due to an increase in costs incurred by the operator of exploration and production blocks.

Total Tax Expense. Our total tax expense decreased by 52.1% to ₹ 5,556 million for financial year 2018 from ₹ 11,606 million for financial year 2017. This includes a deferred tax charge of ₹ 918 million for financial year 2018 as compared to a deferred tax charge of ₹ 6,911 million for financial year 2017, and a net current tax

expense of ₹ 4,638 million for financial year 2018 as compared to net current tax expense of ₹ 4,695 million for financial year 2017.

Profit for the year. Our profit after tax was ₹ 16,294 million for financial year 2018 compared to a profit for the year of ₹ 30,906 million for financial year 2017, as a result of the factors described above.

Total Comprehensive Income. Our total comprehensive income decreased by 47.3% to ₹ 16,290 million for financial year 2018 compared to ₹ 30,896 million for financial year 2017, as a result of the factors described above.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Financial Year			Three months ended June 30	
	2017	2018	2019	2018	2019
	(₹ in million)				
Net Cash generated from/(used in) Operating Activities ...	43,179	39,023	44,303	19,537	(1,237)
Net Cash from/(used in) Investing Activities.....	(12,630)	(26,376)	(61,591)	(10,743)	(15,334)
Net Cash generated from/(used in) Financing Activities ...	(29,945)	(13,306)	18,697	(7,369)	17,316
Net increase/(decrease) in cash and cash equivalents	604	(659)	1,409	1,425	745

Operating Activities

Net cash used in operating activities was ₹ 1,237 million for the three months ended June 30, 2019. Our profit before tax was ₹ 3,391 million for the three months ended June 30, 2019, while our operating profit before working capital changes was ₹ 8,434 million, primarily as a result of interest expense of ₹ 2,526 million and depreciation and amortization expense of ₹ 3,060 million.

Net cash generated from operating activities was ₹ 44,303 million for financial year 2019. Our profit before tax was ₹ 19,241 million for financial year 2019, while our operating profit before working capital changes was ₹ 44,142 million, primarily as a result of interest expense of ₹ 9,659 million, depreciation and amortization expense of ₹ 12,110 million and exchange difference to the extent considered as an adjustment to borrowing cost of ₹ 3,469 million.

Net cash generated from operating activities was ₹ 39,023 million for financial year 2018. Our profit before tax was ₹ 21,850 million for financial year 2018, while our operating profit before working capital changes was ₹ 43,403 million, primarily as a result of interest expense of ₹ 10,167 million, depreciation and amortization expense of ₹ 11,429 million, exchange difference to the extent considered as an adjustment to borrowing cost of ₹ 1,147 million and reversal of liability towards vendors no longer required of ₹ 1,423 million.

Net cash generated from operating activities was ₹ 43,179 million for financial year 2017. Our profit before tax was ₹ 42,512 million for financial year 2017, while our operating profit before working capital changes was ₹ 61,433 million, primarily as a result of unrealised foreign exchange difference gain (net) of ₹ 2,093 million, interest expense of ₹ 9,760 million, depreciation and amortization expense of ₹ 11,387 million, unrealised loss gain on currency derivative contracts (net) of ₹ 894 million and exchange difference to the extent considered as an adjustment to borrowing cost of ₹ 790 million.

Investing Activities

Net cash used in investing activities was ₹ 15,334 million for the three months ended June 30, 2019, primarily consisting of payments for fixed assets (including capital work in progress and capital advances) of ₹ 12,299

million, net investment in fixed deposits of ₹ 4,958 million, partially offset by interest received of ₹ 77 million and net proceeds from short term mutual funds of ₹ 1,846 million.

Net cash used in investing activities was ₹ 61,591 million for financial year 2019, primarily consisting of interest received of ₹ 55 million and net proceeds from maturity of fixed deposits of ₹ 383 million, partially offset by payments for fixed assets (including capital work in progress and capital advances) of ₹ 60,298 million and net investment in short term mutual funds of ₹ 1,723 million.

Net cash used in investing activities was ₹ 26,376 million for financial year 2018, primarily consisting of payments for fixed assets (including capital work in progress and capital advances) of ₹ 27,078 million partially offset by net proceeds from short term mutual funds of ₹ 106 million, net proceeds from maturity of fixed deposits of ₹ 497 million and interest income of ₹ 99 million.

Net cash used in investing activities was ₹ 12,630 million for financial year 2017, primarily consisting of payments for fixed assets (including capital work in progress and capital advances) of ₹ 13,213 million and payments for exploration activities of ₹ 75 million, investment (net of proceeds) in short term fixed deposits of ₹ 4 million partially offset by interest received of ₹ 604 million and net proceeds from sale of mutual funds of ₹ 58 million.

Financing Activities

Net cash generated from financing activities was ₹ 17,316 million for the three months ended June 30, 2019, primarily consisting of net proceeds from non-current borrowings of ₹ 9,012 million and current borrowings of ₹ 12,146 million offset by borrowing costs paid of ₹ 3,842 million.

Net cash generated from financing activities was ₹ 18,697 million for financial year 2019, primarily consisting of proceeds from non-current borrowings of ₹ 79,764 million and current borrowings of ₹ 312,466 million offset by repayment of short-term borrowings of ₹ 316,222 million, repayment of non-current borrowings of ₹ 42,128 million, interests cost paid of ₹ 11,961 million, other borrowing costs paid of ₹ 1,992 million and payment of dividend including dividend distribution tax of ₹ 1,230 million.

Net cash used in financing activities was ₹ 13,306 million for financial year 2018, primarily consisting of repayment of current borrowings of ₹ 254,557 million, repayment of non-current borrowings of ₹ 54,886 million, interest paid of ₹ 9,651 million and other borrowing costs of ₹ 1,450 million, partially offset by proceeds from current borrowings of ₹ 256,552 million and proceeds from non-current borrowings of ₹ 50,686 million.

Net cash used in financing activities was ₹ 29,945 million for financial year 2017, primarily consisting of repayment of short term borrowings of ₹ 227,045 million and repayment of long-term borrowings of ₹ 34,849 million and interest paid of ₹ 8,631 million and other borrowing costs paid of ₹ 979 million partially offset by proceeds from short-term borrowings of ₹ 222,275 million and proceeds of long-term borrowings of ₹ 19,284 million.

Capital Expenditures

We made payments for fixed assets (including capital work in progress and capital advances) aggregating to ₹ 12,299 million, ₹ 60,298 million, ₹ 27,078 million and ₹ 13,213 million for the three months June 30, 2019 and financial years 2019, 2018 and 2017, respectively.

Our capital expenditures primarily comprised expenditures relating to the upcoming petrochemical complex, the upgrade of the DHDT unit to meet the BS VI fuel compliance requirements, the township expansion and other upgrades undertaken to improve efficiency and margins of our Refinery, including engineering,

procurement and construction costs, equipment purchase and installation costs, labor (including consultant and professional fees) and project development costs.

Our actual capital expenditures may differ from our capital expenditure budget due to various factors, including delays in the completion of project, overruns on account of delays in commissioning and startup, our financial performance, market conditions, our outlook for future business conditions, the source and methodology of our financing activities and changes in governmental regulations. To the extent that we do not generate sufficient cash from our operations to meet our working capital needs and execute our capital expenditure plans, we may need to revise our capital expenditure plans or seek additional debt or equity financing.

Financial Indebtedness

The following table sets forth our long-term borrowings as of June 30, 2019 and 2018:

	Non-Current Portion		Current Maturities	
	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019
	(₹ in million)			
Non-Convertible Debentures	18,881	20,448	—	—
Foreign currency redeemable bonds	25,345	25,516	—	—
Foreign currency loan from banks	109,832	118,863	960	950
Indian Rupee loan from banks	10,000	49,210	—	2,500
Indian Rupee loans from GoP	3,803	6,421	10	100
Total	167,861	220,458	970	3,550

The following table sets forth our short-term borrowings as of June 30, 2019 and 2018:

	As of June 30,2018	As of June 30,2019
	(₹ in million)	
Foreign currency loans from Banks	22,620	27,789
Indian Rupee loans from Banks	3,772	2,794
Total	26,392	30,583

For further details, see “Description of Our Material Indebtedness”.

Our ability to incur additional debt is subject to a variety of uncertainties including the amount of capital that other entities may seek to raise in the domestic and foreign capital markets, economic and other conditions in India or elsewhere that may affect investor demand for our securities, the liquidity of capital markets in India or elsewhere, our compliance with restrictive covenants included in our financing agreements and our financial condition and results of operations.

Contractual Obligations and Contingent Liabilities

In addition to payment obligations under borrowings, we also have continuing obligations to make certain payments.

As of June 30, 2019, the estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for amount to ₹ 107,884 million.

The following table sets forth a summary of the maturity profile of our contractual obligations in respect of total principal portion of borrowings (inclusive of deferred interest on Indian Rupee non-convertible debentures) as of June 30, 2019:

	Total	Less than 1 year	2-3 years	4-8 years	More than 8 years
			<i>(₹ in million)</i>		
Long Term Borrowings ⁽¹⁾	225,315	3,550	74,743	113,453	33,569
Less: Ancillary Cost of Borrowings	(1,307)				
Total Long Term Borrowings⁽¹⁾	224,008				
Short Term borrowings.....	30,589	30,589	—	—	—
Less: Ancillary Cost of Borrowings	(6)				
Total Short Term Borrowing	30,583				

Note:

(1) Includes current maturities of such borrowings.

The following table sets forth our contingent liabilities as determined under IND AS 37 as of June 30, 2019:

	As of June 30, 2019
	<i>(₹ in million)</i>
Payment of deficit stamp duty on execution of Infrastructure Use Agreement.....	10
Claims made by landowner's for additional compensation.....	236
Claims raised by project vendors	2,794
Penal demand raised by income tax department	17
Demand for service tax and penalty raised by service tax department.....	357
Disallowance of cenvat credit including interest and penalty by department	1,377
Total.....	4,791

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures Regarding Market Risks

We are exposed to various types of market risks during the normal course of business. Our primary market risk exposures are to fluctuations in the prices of crude oil and other commodities, foreign currency exchanges rates, and interest rates.

Commodity Price Risk

We are exposed to the volatility in the relative price of the products that we produce with respect to the crude oil and other feedstocks that we use as raw materials. Generally, an increase or decrease in the price of crude oil may result in a corresponding increase or decrease in the price of refined petroleum and petrochemical products, but the direction and relative movement of prices may vary from product to product. The resulting movement is based on various factors including changes in specifications, availability of alternatives, seasonality, current and expected demand and supply balances and geopolitical developments. This impacts our GRMs and accordingly, our earnings and cash flows. Any increase in prices of crude oil and other feedstock also increases our short-term financing needs. In addition, we carry inventories of crude oil, intermediates and refined products on our balance sheet, the valuation of which are subject to fluctuations in market prices. If market prices decline to a level below the average cost, our inventories valuation may need to be written down. Further, we purchase crude oil from several foreign suppliers where the prices are linked to various benchmarks which vary from the regional benchmark with which our product prices are linked. Our crude oil purchases are optimized by blending various crude oils. Heavy and sour crude oils and other crude oils that are otherwise difficult to process are available at lower prices and can be processed in varying proportions at our Refinery. This coupled with the differing transit timing depending on the location and transportation logistics exposes us to the variation in the pricing of crude oil and product pricing at various time periods.

Our Board has approved our Risk Management Policy for the mitigation of various commodity price risks including (i) refinery margin risks (which is the risk of relative product value generated with respect to feed stock cost), (ii) benchmark risk (which is the risk arising from the fact that crudes from different regions are priced based on different benchmarks which vary based on the regional demand-supply and logistics; product prices of a region generally move in tandem with the regional benchmark) and (iii) timing mismatch risk (which is the risk arising from the fact that crude oils are procured from different regions and can be processed as a blend in varying proportions; timing between the determination of purchase price of crude oil and product pricing varies). The freight risk (which is the risk arising from the fact that freight costs for getting crude oil from the source varies based on the availability of vessels and their types; various standard routes and vessel type freights are regularly traded in the market and can be used for partially mitigating our freight costs) is also allowed to be hedged. This policy has clearly defined delegation of authorities, segregation of duties, instruments to be used and management reports to be generated. Further hedging activities are permitted under the policy up to 18 months forward on a rolling basis. This policy allows only risk mitigation and prohibits speculative hedging. The regulators have permitted us to undertake our risk mitigation activities as detailed in the Board approved policy.

We carry out our hedging activities using commodity derivative instruments such as swaps, basis swaps and options, in addition to utilizing flexibilities offered by our crude oil physical counterparts with regards to pricing basis loading month and delivered month, to protect against the possible planned price exposures. However, not all elements are hedgeable, in particular, unplanned price exposure changes, tax rate changes, liquidity issues.

Foreign Exchange Rate Risk

A significant portion of our revenues is generated from the sale of petroleum products, the prices of which are tied to international benchmarks that are quoted in U.S. Dollars. As a result, our revenues are significantly impacted by the underlying value of the exchange rate between the U.S. Dollar and the Indian Rupee. In

addition, although our costs for procurement of crude oil, feed stocks and catalysts are primarily incurred in U.S. Dollars, our operating costs are denominated in Indian Rupees. As a result, our gross margins are predominantly in U.S. Dollars and thus in Indian Rupee terms, are exposed to a strengthening of the Indian Rupee against the U.S. Dollar.

We try to maximise the natural hedge in U.S. Dollar terms and our foreign currency exposures are managed through a hedging policy consisting of hedging instruments including forward contracts. Hedging activities in India are regulated by RBI, and such policies may change from time to time and affect the effectiveness with which we manage our foreign exchange rate risk. Our unhedged borrowing obligations, trade payables, other non-current financial liabilities and other current financial liabilities denominated in foreign currency are mostly in U.S. Dollar where we have generally a natural hedge through our revenues which are linked to prevailing U.S. Dollar and Indian Rupee rates.

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. We are exposed to interest rate risk resulting from fluctuations in interest rates on our short-term and long-term borrowings. Interest rate risk exists with respect to our indebtedness that bears interest at floating rates tied to certain benchmark rates as well as borrowings where the interest rate is reset based on changes in interest rates set by RBI. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of RBI, domestic and international economic and political conditions, inflation and other factors. Upward fluctuations in interest rates increase the cost of servicing existing and new debts, which adversely affects our results of operations and cash flows.

We enter into interest rate swaps to hedge our exposure against variable interest rate outflows on some of our U.S. Dollar financing agreements as part of our hedging program. As of June 30, 2019, we had entered into interest rates swaps for an aggregate notional outstanding amount of U.S.\$ 900.87 million in order to hedge our exposure to fluctuations in interest rates of U.S. Dollar denominated borrowings. We also have U.S.\$ 375 million senior unsecured notes as a fixed interest rate borrowing. In addition, we have Indian Rupee denominated borrowings of ₹ 28,486 million as a fixed rate borrowing. Overall, we have 54.5% of borrowings covered as variable interest rate debt, while the remainder of 45.5% is fixed interest rate debt. Fluctuations in interest rates, therefore, will have a direct effect on the cost of our borrowings availed on variable interest rates and any increase in interest rates would have a negative effect on our results of operations and cash flows.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities, primarily from trade receivables.

We are also subject to credit risk with respect to the counterparties with whom we enter into derivative transactions as part of our commodity, exchange rate and interest rate hedging strategies. In order to limit our exposure in this regard, we limit the amount of credit exposure we have to each counterparty, limit the counterparties to whom we have credit risk exposure to institutions who meet certain ratings requirements and diversify our credit risk where possible by managing the number of counterparties to whom we have credit exposure.

Inflation Risk

India has experienced high inflation in the recent past, which has contributed to an increase in interest rates. High fluctuations in interest rates may make it more difficult for us to accurately estimate or control our costs.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and maintaining adequate credit facilities. Our primary sources of liquidity have been borrowings under our term loans and working capital facilities and equity financing from our Promoters.

INDUSTRY OVERVIEW

The information contained in this section is derived from the BP report titled “BP Statistical Review of World Energy 2019, 68th edition” (“BP Report”), various Wood Mackenzie reports as detailed within this “Industry Overview” section, the Chemicals and Petrochemicals Manufacturers’ Association report titled “Indian Petrochemicals Industry” (“India Petrochemicals Report”), the ICIS report titled “Petrochemical Market Study Executive Summary” (“ICIS Consulting Report Executive Summary”) and the ICIS report titled “Petrochemical Market Study (Final Report) 2018” Prepared for HPCL-Mittal Energy Limited (HMEL) (“ICIS Consulting Report”) along with other publicly available sources. This information has not been independently verified by the Issuer, or the Lead Managers or any of their respective affiliates or advisors. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Neither the Issuer nor the Lead Managers makes any representation as to the accuracy or completeness of such data or any assumptions relied upon thereon. Neither the Issuer nor the Lead Managers has any actual knowledge of any material misstatement contained in this section, and accordingly, no third party may bring claims against the Issuer or the Lead Managers on the basis of any material misstatement relating to the data or assumptions contained in this “Industry Overview” section.

Brief Overview of the Refining Process

Oil refining is the industrial process of separating hydrocarbon molecules present in crude oil and converting them into more useful and valuable finished petroleum products, as unprocessed crude oil has limited applications. Refineries are designed to process various types of crude oil and other feedstock into selected products, and are an essential part of the downstream side of the petroleum industry. In general, the different process units of a refinery perform at least one of the following functions:

- separating the many types of hydrocarbons present in crude oil into fractions;
- converting the hydrocarbons into more desirable products;
- treating the products by removing impurities; and
- blending intermediate streams into finished products.

The following chart sets out the main finished products of refineries and their primary end-uses:

Product	Major End Uses
LPG.....	Domestic fuel, auto fuel and industrial applications
Naphtha/Natural Gas Liquid	Feedstock/fuel for fertilizer units, the petrochemical sector and power plants
Motor Spirit (“MS”), also known as gasoline or petrol.....	Fuel for passenger automobiles as well as two and three wheelers
ATF	Fuel for aircrafts
Superior Kerosene Oil (“SKO”)	Fuel for cooking and lighting
High Speed Diesel (“HSD”)	Fuel for the transportation sector, agriculture (tractors, pump sets, threshers) and captive power generation

Product	Major End Uses
Light Diesel Oil (“LDO”).....	Fuel for agricultural pump sets, small industrial units, and start up fuel for power generation
Furnace Oil (“FO”)/Low Sulphur Heavy Stock (“LSHS”).....	Secondary fuel for thermal power plants, fuel/feedstock for fertilizer plants and industrial units
Bitumen.....	Surfacing of roads
Lubes.....	Lubrication for automotive and industrial applications
Other Products (such as benzene, toluene, MTO, LABFS, CBFS and paraffin wax)	Feedstock for value added products

Source: Ready Reckoner, Oil Industry Information at a Glance, Petroleum Planning & Analysis Cell, Ministry of Petroleum & Natural Gas, June 2019 (“Ready Reckoner Report”)

Crude oil is the primary feedstock used in oil refining. The quality of crude oil and refinery configuration indicate the level of processing and conversion necessary to achieve the optimal mix of finished products. Typically, crude oil is classified by its density (light to heavy) and sulphur content (sweet to sour). Light sweet crude oil is more expensive than heavy sour crude oil because it requires less treatment and produces a slate of products with a greater percentage of high-priced, light, refined products, such as LPG, gasoline and Naphtha.

Heavy sour crude oil is typically sold at a discount to the light sweet crude oil because it produces a greater percentage of lower value products and requires additional processing to produce the higher value light products. Consequently, refiners strive to process the optimal mix, or slate, of crude oil through their refineries, depending on each refinery’s conversion and treating units, current and anticipated product prices, the desired product mix and the relative price of available crude oil and other feedstock.

The complexity of a refinery refers to its ability to process less expensive feedstock, such as heavier and higher sulphur content crude oil, into higher value products and is dependent on the number and types of conversion units. Generally, the higher the complexity of the refinery, the more flexible the refinery will be with respect to its possible feedstock slate and the better positioned the refinery is to take advantage of less expensive crude oil, resulting in higher gross margin opportunities.

Over the years, the petroleum refining industry has experienced steady growth in demand for refinery products, cyclical margins due to periodic over-capacity and supply shortages in various regional markets, and seasonal fluctuations in the consumption of particular types of refinery products, such as higher gasoline and diesel consumption during the summer driving season, and higher home heating oil consumption during the winter months.

Economics of Refining

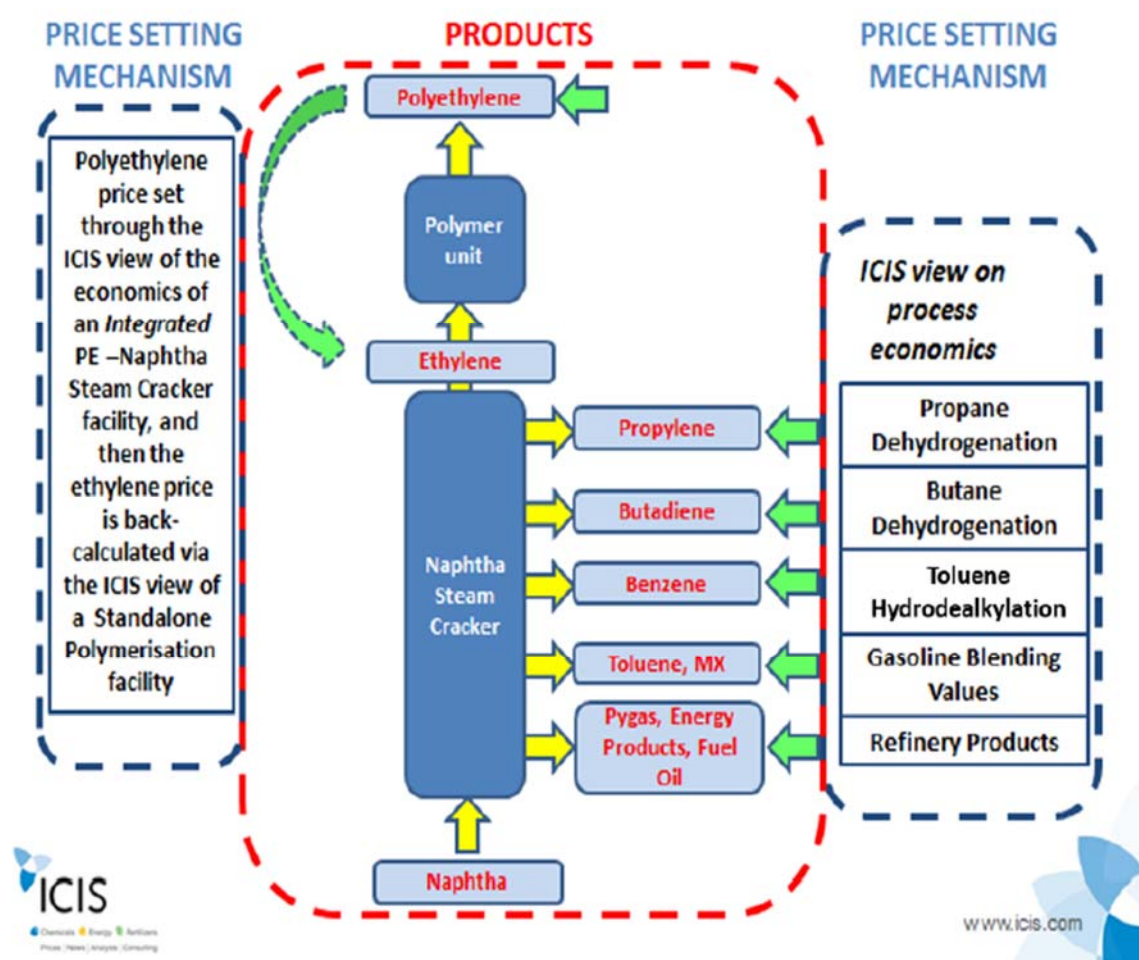
Oil refining is primarily a margin-based business seeking to optimize the refining processes and yields of all products in relation to feedstock that are used. In a simple refinery, a greater percentage of the end products are less valuable heavy products such as furnace oil and bitumen, with the remainder being light products such as LPG, mixed-xylenes and unleaded gasoline and middle distillates such as diesel and jet fuel. However, the product yields depend on the type of crude oil and other feedstock. The total value of the finished products less the cost of crude oil and other feedstock and utilities is the simple refining margin. The complex refining margin differs from the simple refining margin in that a lower proportion of heavy products are produced in a complex refinery due to equipment available to convert the low value heavy products into the higher value light products. More complex plants are able to generate a higher yield due to their ability to produce higher value products using a lower cost crude oil or other feedstock. As a result, complex margins are higher than simple margins.

Refineries with upgrading units serve to increase distillate yields such as gasoline, kerosene and diesel. Distillates are often worth more than residual oils. Therefore, the more upgrading units a refinery has, the higher its margins. The industry uses a number of benchmarks to measure performance, margin and refinery complexity, including: plant utilization rate, gross refining margin, Nelson Complexity Index (“NCI”) (an index used in the refining industry to measure the complexity of a refinery), upgrading-to-refining ratio, hydrotreating-to-refining ratio, non-energy cash costs, maintenance costs and operational availability.

Brief Overview of the Petrochemical Process

Petrochemicals are chemical products made from the hydrocarbons present in raw natural gas and petroleum crude oil. The largest petrochemical manufacturing industries are to be found in the United States, Western Europe, Asia and the Middle East.

The following is a summary of pricing mechanisms for key chemical products for the Asian integrated Naphtha cracker:



(Source: ICIS Consulting Report)

Petrochemicals have a variety of uses in society. Petrochemicals transform oil and gas into various products of daily use, such as plastics, fertilizers, packaging, clothing, digital devices, medical equipment, detergents or tires, are integral to modern societies, and they are also a major component of the global energy system, used

as a source for solar panels, wind turbine blades, batteries, thermal insulation for buildings and electric vehicle parts.

Crude Oil Prices and the Supply and Demand Mechanics

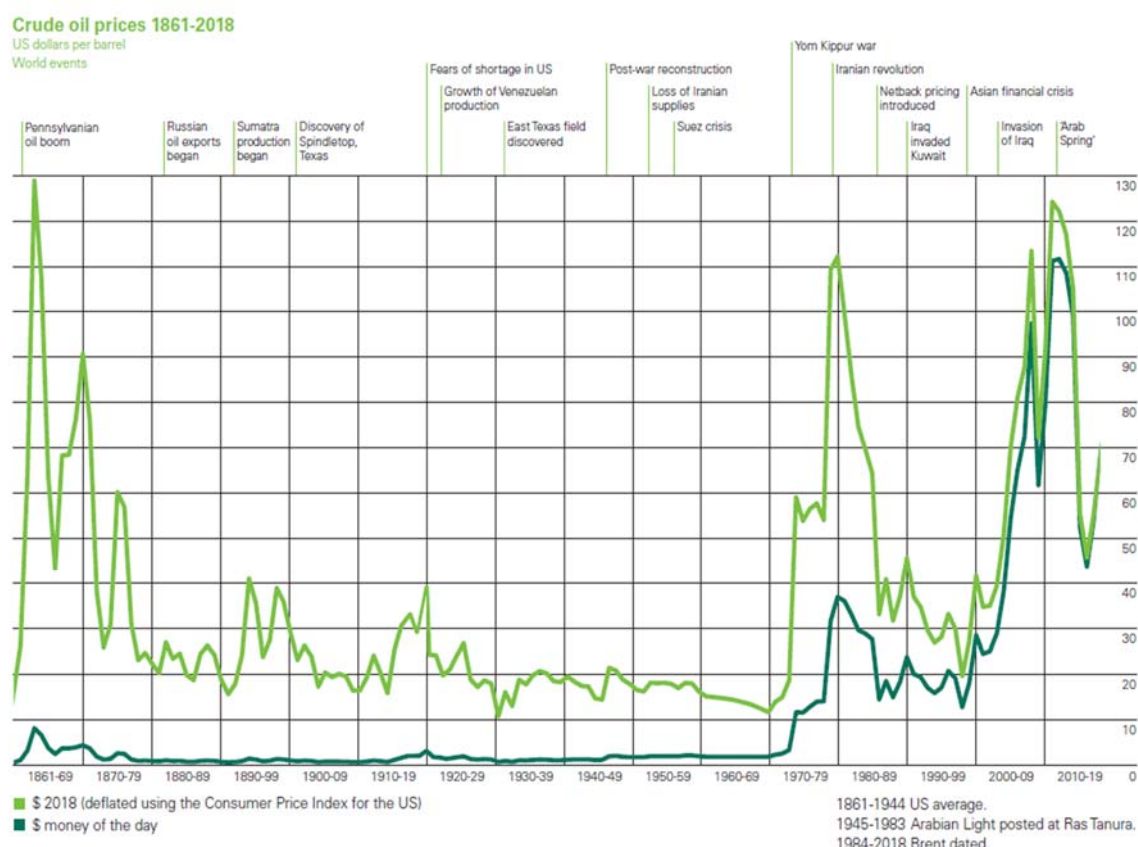
Change in the price of crude oil influences the prices of refined petroleum products.

Oil prices are affected by a number of factors, including changes in supply and demand fundamentals, Organisation of the Petroleum Exporting Countries (“OPEC”) regulations, weather conditions, government regulations, as well as political and economic conditions and the availability of various alternative energy substitutes.

Prices

According to the BP Report, since calendar year 2015, when prices experienced a significant decline, crude oil prices in dollar terms had been steadily recovering until mid-calendar year 2018, where they reached a peak of U.S.\$ 85/bbl (*Source: BP Report*). However, prices dropped once again towards the end of calendar year 2018, closing at a price of U.S.\$ 50/bbl (*Source: BP Report*). Consequently, the annual average price for Brent, the international crude oil benchmark, in calendar year 2018 was U.S.\$ 71.31/bbl, which was an increase compared to U.S.\$ 54.19/bbl in calendar year 2017 (*Source: BP Report*). This increase in average price resulted from a growing demand for oil resulting causing the price increase in early calendar year 2018, partially offset by the downward price impact resulting from supply increases from the OPEC group, non-OPEC countries such as Libya, and non-OPEC+ (defined subsequently) countries such as Nigeria (which initially was not part of the OPEC+ group) in the latter part of calendar year 2018 (*Source: BP Report*). The “OPEC+” agreement is an agreement signed between some OPEC members and non-OPEC partners to reduce oil output since 2017 in order to curtail the decline in oil prices.

The following chart sets out crude oil prices between 1861 and 2018 in U.S.\$/barrel:



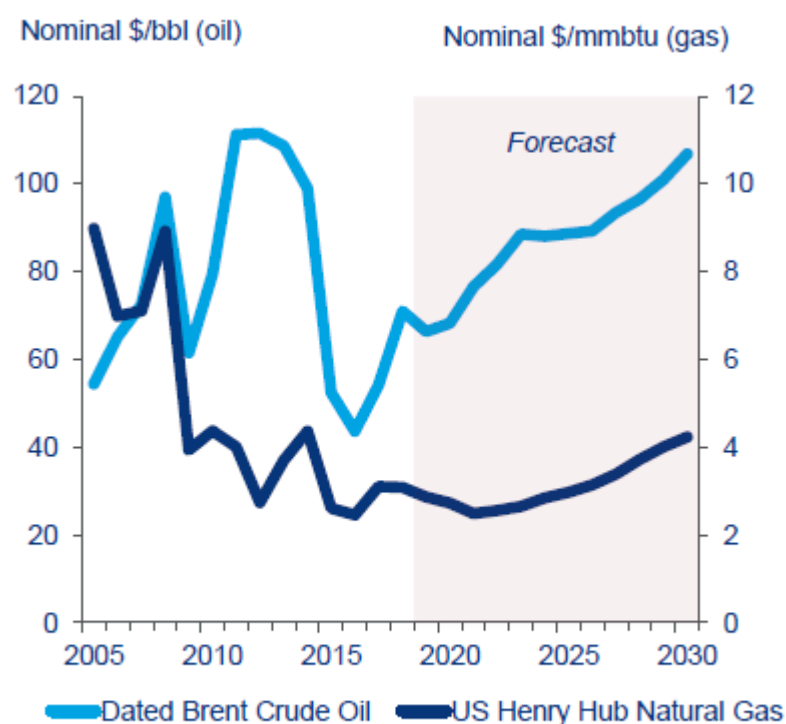
(Source: BP Report)

Supply

In the short term, strong supply growth by non-OPEC countries are forecasted to continue to surpass demand growth, putting pressure on OPEC to restrain production in order to maintain prices above U.S.\$ 70/bbl (Source: *Polypropylene Global Supply Demand Analytics Service, Bi-Annual Report, Wood Mackenzie, May 2019 ("Polypropylene Report")*).

In the long term, OPEC countries are forecast to increase their supplies, from 35.6 mb/d in calendar year 2018 to 38.7 mb/d in the early part of the decade beginning in calendar year 2030, mainly as a result of the high investment levels in Iraq, Kuwait and the United Arab Emirates (Source: *Polypropylene Report*).

The significant supply decrease from the U.S. coupled with the increase from the OPEC countries is anticipated to result in a corresponding increase in Brent oil prices to above U.S.\$ 100/bbl in the longer term (Source: *Polypropylene Report*).



Source: Argus Media History; Wood Mackenzie Forecast (H2 2018)

(Source: Polypropylene Report)

Demand

In calendar year 2018, global oil consumption continued the growth trend seen in recent years, increasing to 99.8 mb/d in calendar year 2018, at a growth rate of 1.5% compared to calendar year 2017. Note that the difference between world consumption figures and production statistics could be accounted for by stock changes, consumption of non-petroleum additives and substitute fuels, and unavoidable disparities in the definition, measurement or conversion of oil supply and demand data (Source: BP Report).

The increase in consumption was driven by the non-OECD countries, where consumption increased by 2.3% to 52.4 mb/d in calendar year 2018 compared to 51.2 mb/d in calendar year 2017 (Source: BP Report). India recorded the largest year-on-year consumption growth rate, increasing by 5.9% to 5.2 mb/d in calendar year 2018, followed by China which increased by 5.3% to 13.5 mb/d (Source: BP Report). North America and Asia Pacific also experienced an increase in oil consumption, at 1.8% and 3.0%, respectively, in calendar year 2018 compared to calendar year 2017 (Source: BP Report).

Japan, Europe and Africa are the only regions that experienced a decline in oil consumption, decreasing by 3.1%, 0.5% and 0.1%, respectively, in calendar year 2018 compared to calendar year 2017 (Source: BP Report).

The following table sets forth year-on-year oil consumption for select countries and regions for the periods indicated:

	2014	2015	2016	2017	2018	Annual Growth (2017 to 2018)	2018 share of total	Per Capita Consumption (2018)
	(million tons)					(%)		(ton oil equivalent)
Country								
India.....	184.7	199.8	219.5	227.1	239.1	5.3	5.1	0.2

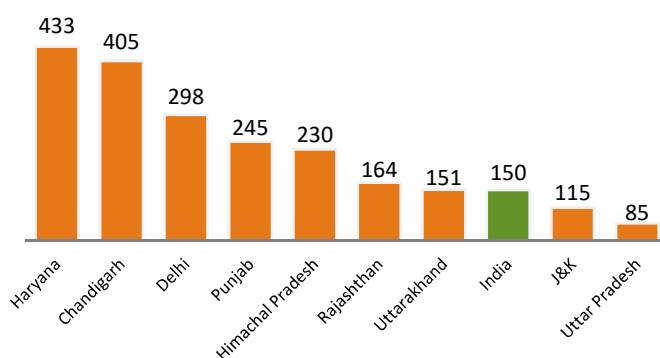
	2014	2015	2016	2017	2018	Annual Growth (2017 to 2018)	2018 share of total	Per Capita Consumption (2018)
	(million tons)					(%)		(ton oil equivalent)
China	539.3	573.3	587.0	610.7	641.2	5.0	13.8	0.5
United Kingdom	73.5	75.3	77.5	78.0	77.0	(-1.2)	1.7	1.2
United States	886.1	884.5	893.3	902.0	919.7	2.0	19.7	2.8
Germany	114.5	114.2	116.5	119.0	113.2	-4.9	2.4	1.4
Brazil	145.7	140.6	132.7	136.1	135.9	-0.1	2.9	0.7
Japan	204.0	196.5	191.0	187.8	182.4	-2.9	3.9	1.4
Russian Federation	157.4	14.9	153.1	151.5	152.3	0.5	3.3	1.1
Total World	4,385.3	4,465.8	4,548.3	4,607.0	4,662.1	1.2 ⁽¹⁾	100.0	0.6

(Source: BP Report)

Note:

- (1) Differences between world consumption figures and production statistics could be accounted for by stock changes, consumption of non-petroleum additives and substitute fuels, and unavoidable disparities in the definition, measurement or conversion of oil supply and demand data.

The following chart illustrates the per capita consumption of petroleum products, in kgs, in supply deficient northern India for financial year 2018:



(Source: Indian Petroleum and Natural Gas Statistics Report)

Overview of the Global Refining Industry

Global Overview

The global refining industry has experienced cyclical variations in capacity over the last few decades as capacity expanded and contracted together with changes in global oil demand.

Global primary energy consumption grew rapidly in 2018 at a rate of 2.9% in calendar year 2018, the fastest growth since 2010. The growth in global energy consumption was primarily driven by China, the U.S. and India, which accounted for approximately two-thirds of the growth, and has been attributed to recent weather patterns (such as an unusually large number of hot and cold days in calendar year 2018 relative to historical figures) necessitating greater energy consumption.

Of the various sources that make up primary energy (which comprises oil, natural gas, coal, nuclear energy, hydro-electricity and renewables), oil remained the world's leading fuel, accounting for 33.6% of global energy consumption as of calendar year 2018.

Total global oil consumption increased by 1.5% from 98.4 mb/d in calendar year 2017 to 99.8 mb/d in calendar year 2018 compared to calendar year 2017. Developing countries, such as China and India which accounted for two-thirds of the growth, were the primary drivers for the increase in oil consumption.

Meanwhile, total global oil production also increased in calendar year 2018, by 2.4% or 2.8 mb/d or 3.2% compared to calendar year 2017. The U.S. was the biggest driver in the production increase, increasing production by 2.2 mb/d year-on-year, followed by Canada and Saudi Arabia, which increased year-on-year by 0.41 mb/d and 0.39 mb/d, respectively; the overall increases were partially offset by year-on-year decreases in production from Venezuela and Iran, by 0.58 mb/d and 0.31 mb/d, respectively.

Historically, demand for oil products has mostly been driven by GDP growth. However, despite modest growth in GDP in calendar year 2018, global consumption increased. This was driven by weather-related effects. In particular, there was an unusually large number of hot and cold days across many of the world's major demand centres last year particularly in the U.S., China and Russia, with the increased demand for cooling and heating services helping to explain the strong growth in energy consumption in each of these countries.

(Source: BP Report)

The following table sets forth year-on-year actual real GDP growth and forecasts for select countries and regions for the periods indicated:

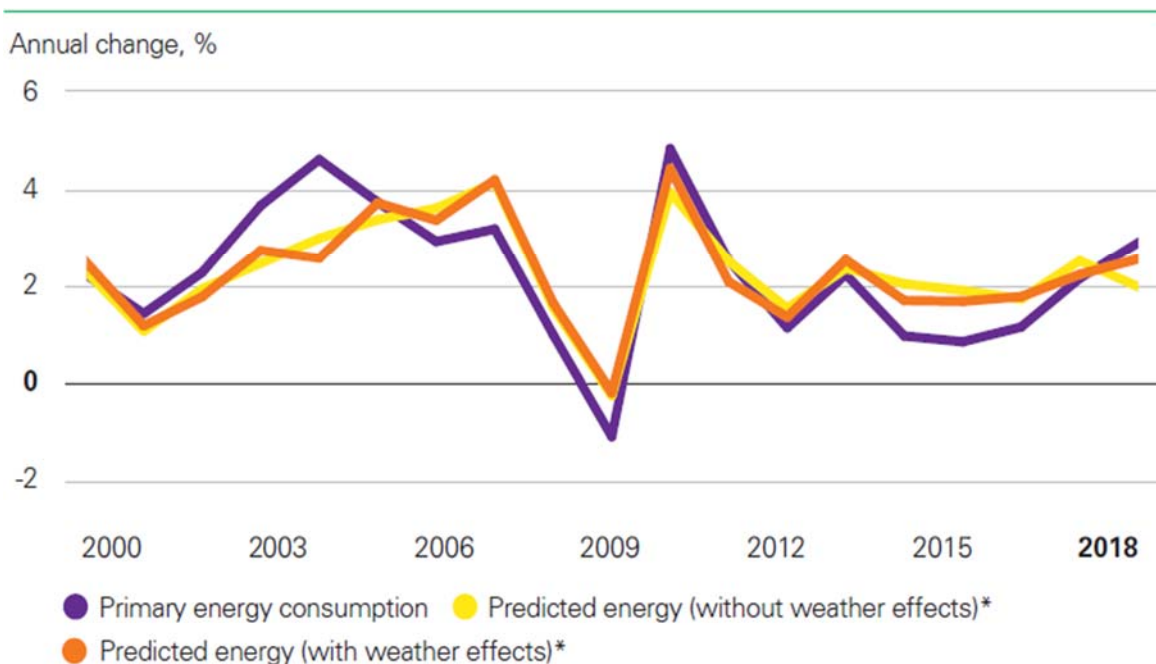
	2014 ⁽²⁾	2015 ⁽²⁾	2016 ⁽²⁾	2017 ⁽²⁾	2018 ⁽²⁾	2019F ⁽²⁾	2020F ⁽²⁾
				(%)			
Country							
United States.....	2.5	2.9	1.6	2.2	2.9	2.5	1.7
Euro Area ⁽¹⁾	1.4	2.1	1.9	2.4	1.9	1.2	1.4
Japan.....	0.4	1.2	0.6	1.9	0.8	0.8	0.7
China	7.3	6.9	6.7	6.8	6.6	6.2	6.1
India	7.4	8.0	8.2	7.2	7.0	7.5	7.5
Thailand	1.0	3.1	3.4	4.0	4.1	3.5	3.6
World.....	2.8	2.9	2.6	3.2	3.0	2.6	2.7

Note:

(1) The euro area is a monetary union of 19 of the 28 European Union member states which have adopted the euro (€) as their common currency and sole legal tender.

(2) Source: World Development Indicators (World Bank) Global Economic Prospects, June 2019.

The following chart sets forth growth in global energy consumption along with the impact of weather effects, for the periods indicated:



*These econometric models do not include Chinese energy intensive industries

Global Refining Capacity

Global refining capacity retreated in the 1980s and early 1990s alongside a steady increase in global oil demand. As a result, spare global refining capacity saw a significant reduction, which led to a period of relatively strong utilization rates and refining margins in the period between 2004 and 2008. This led to a surge in refining investments globally, resulting in capacity additions through a combination of new projects and existing refineries expansions.

Over the last decade, global refining capacity has steadily increased, increasing 1.4% to 100 mb/d in calendar year 2018, compared to 98.6 mb/d in calendar year 2017.

The following table sets out refining capacities regionally for the periods indicated:

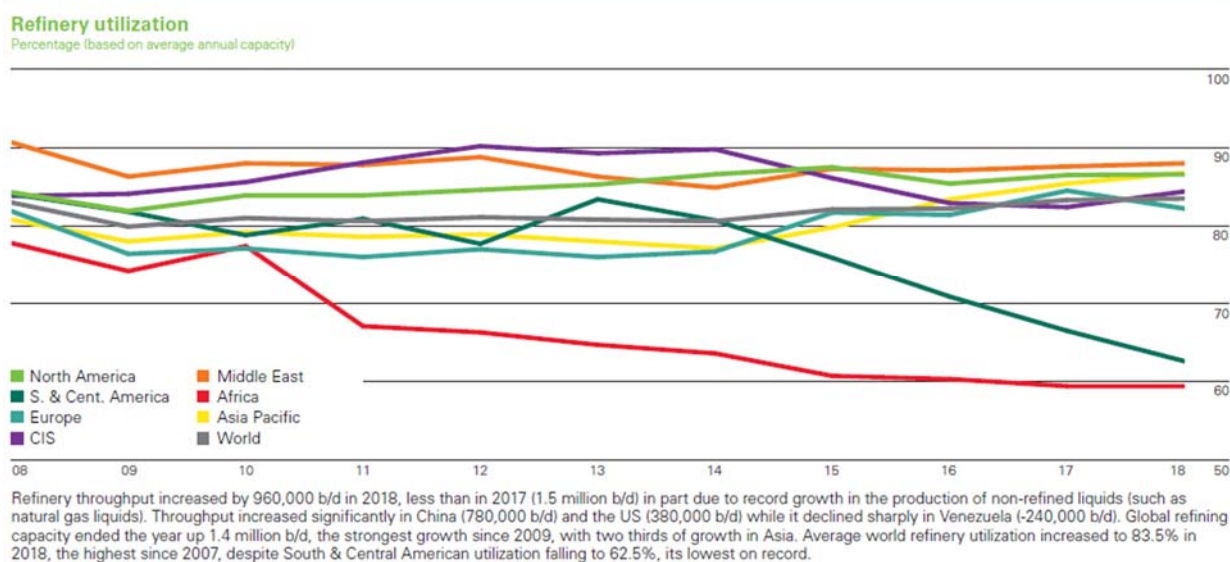
	2014	2015	2016	2017	2018
	('000 barrels daily)				
Region					
North America	21,418	21,770	22,073	22,082	22,333
South and Central America	6,081	6,217	6,225	6,221	5,979
Europe and Eurasia	23,631	23,742	23,592	23,612	23,847
Middle East.....	8,787	9,180	9,344	9,465	9,704
Africa	3,453	3,453	3,453	3,439	3,434
Asia Pacific.....	33,843	33,288	33,443	33,802	34,752
World.....	97,214	97,650	98,129	98,621	100,049

(Source: BP Report)

Global Refinery Capacity Utilization Rates and Refining Margins

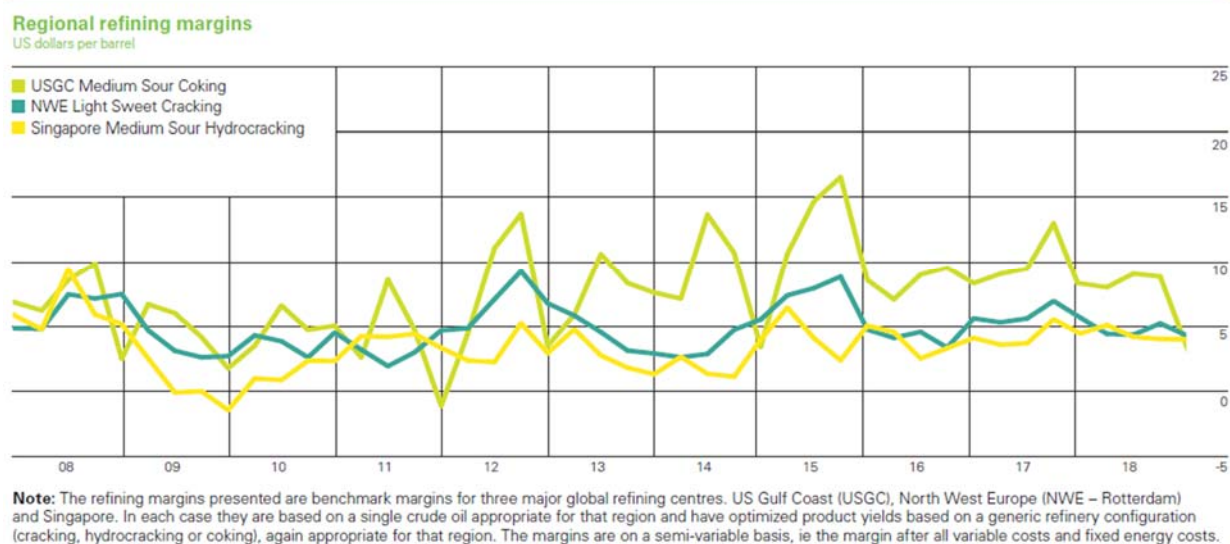
Global crude runs increased by 1.4 mb/d, experiencing the most significant growth increase since calendar year 2009. Global average refinery capacity utilization increased to 83.5% in calendar year 2018, increasing to its highest level since calendar year 2007.

The following chart sets forth refinery utilization for the indicated periods:



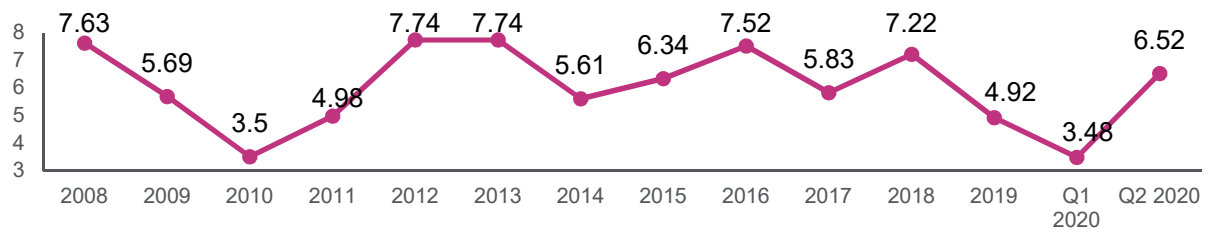
(Source: BP Report)

The following chart sets forth regional refinery margins for the indicated periods:



(Source: BP Report)

The following chart illustrates historical Singapore GRMs for the periods indicated:



Source: Refinitiv

Global Refined Product Demand

Significant factors which may impact the global demand for oil refined products include the introduction of International Maritime Organization's Sulphur 2020 Regulations ("**IMO 2020 Regulation**") and the greater importance of alternative electric vehicles.

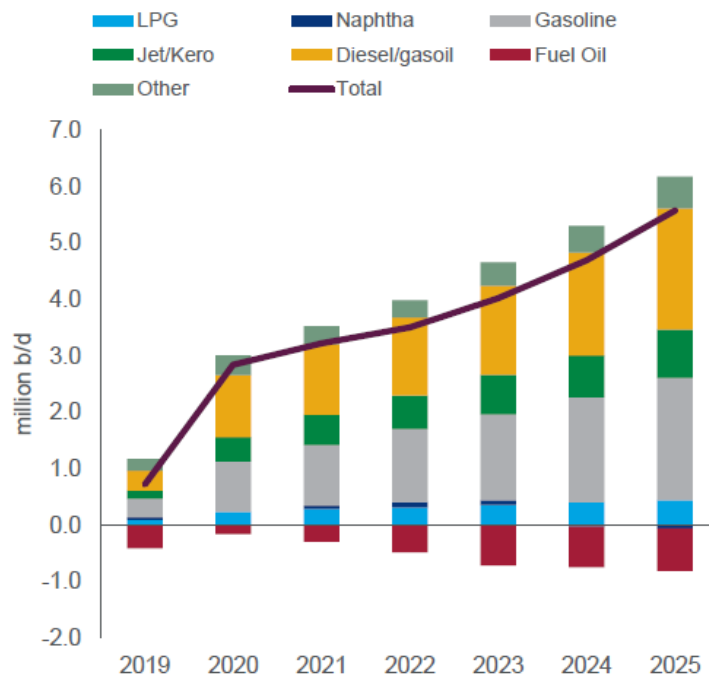
Impact of IMO 2020 Regulation

Effective from calendar year 2020, the International Maritime Organisation has implemented a sulphur limit of 0.5% in relation to global marine fuels. The sulphur limit affects the 3.4 million b/d of HSFO currently used in the global bunker market. Alternative compliance options such as installing scrubbers on vessels or switching to LNG are expected to have a limited impact by calendar year 2020. Therefore, the main compliance option for companies will initially be switching to low-sulphur marine fuels. The expectation is that the use of ultra-low-sulphur fuel oil ("**ULSFO**") will emerge which will be a residual-based fuel with a sulphur content of 0.5%, alongside a substantial uplift in marine distillate demand.

(Source: *Asia Pacific Product Markets Long Term Outlook, H1 2019*, Wood Mackenzie ("**Asia Pacific Product Markets Report**"))

The chart below shows the cumulative change in global supply of refined products for the periods indicated:

Cumulative change in refined product supply

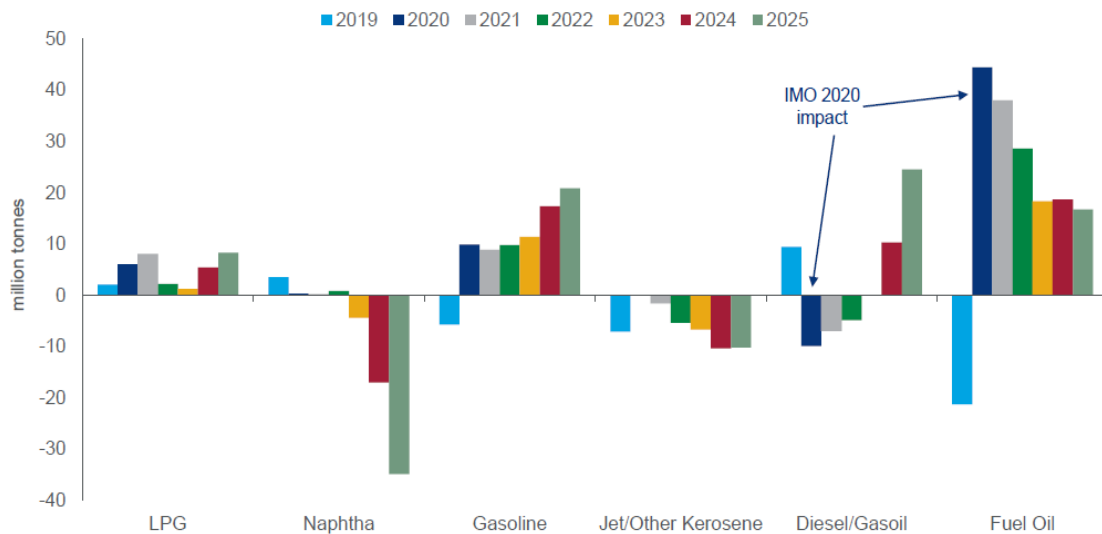


(Source: Global Product Markets Outlook, H1 2019, Wood Mackenzie (“Global Product Markets Report”))

Furthermore, fuel oil supply is expected to fall by 750 kb/d by calendar year 2025 with an additional 2.1 mb/d each of gasoline and diesel/gasoil expected to be supplied by calendar year 2025 (Source: Global Product Markets Report).

The following chart illustrate the global product balances prior to yield shifts for the periods indicated:

Global product balances prior to yield shifts



(Source: Global Product Markets Report)

The light distillate products are forecasted to experience a deficit by calendar year 2025 while middle distillates products yields are expected to increase. Accordingly, refiners will shift their yields in response to increasing product cracks of middle distillates.

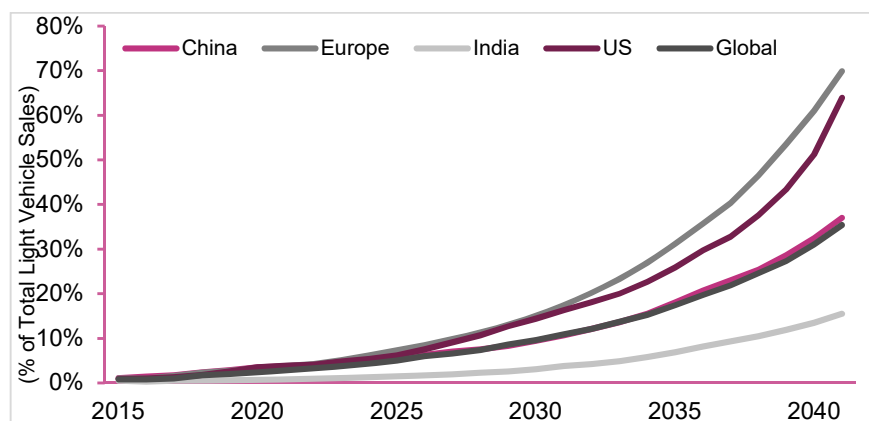
(Source: *Global Product Markets Report*)

Impact of Electric Vehicles

Globally, electric cars are expected to form a significant proportion of the total light vehicle sales by calendar year 2040. However, the increase in sales is expected to be much slower in India, with electric cars accounting for only approximately 10% to 15% of total light vehicle sales. Approximately 31% of the new light vehicle sales are expected to be electric by calendar year 2040, as compared to approximately 2% to 4% in calendar year 2019.

(Source: *Electric vehicles: a paradigm shift in full gear*, 11 July 2018, Wood Mackenzie (“*Electric Vehicle Report*”))

The following chart illustrates the proportion of electric car sales as a percentage of total light vehicles sales, by region, for the periods indicated:



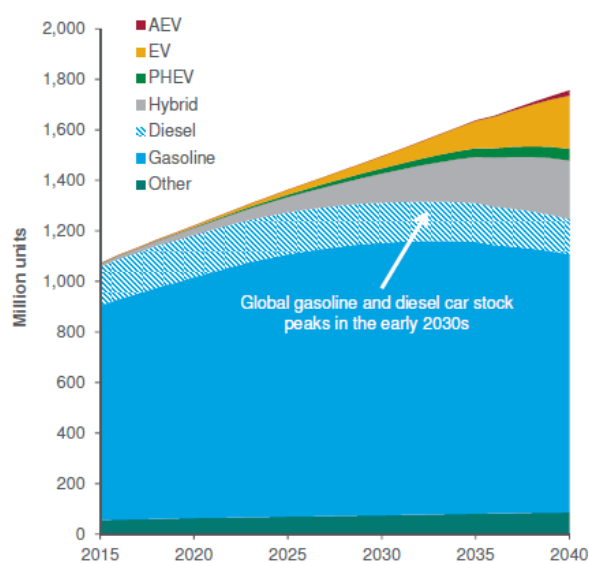
(Source: *Electric Vehicle Report*)

Electric cars as a proportion of total global passenger car stock is expected to increase materially only after calendar year 2030, and especially in the latter part of the calendar year 2030 decade. As a result, global gasoline and diesel car stock is expected to peak in early calendar year 2030.

(Source: *Electric Vehicle Report*)

The following chart illustrates the global passenger car stock, by vehicle type, for the periods indicated:

Global passenger car stock



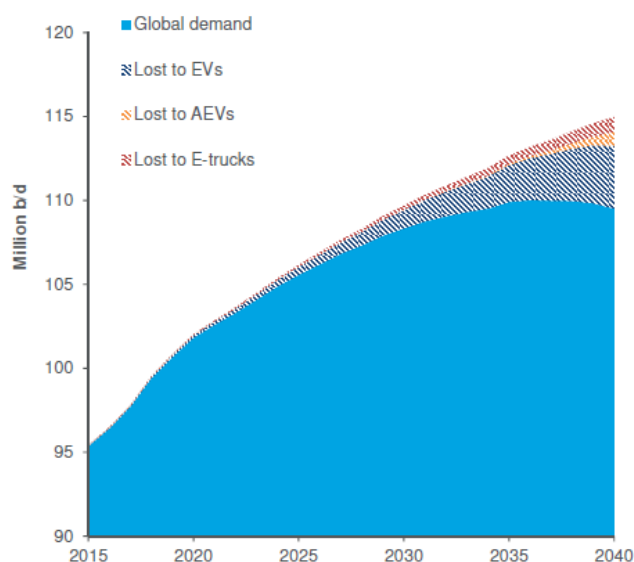
(Source: Electric Vehicle Report)

Electric cars and trucks are forecasted to displace 5.5 mb/d of oil demand by calendar year 2040. Even by calendar year 2040, only approximately 5% of the world oil demand is expected to be lost to electric vehicles.

(Source: Electric Vehicle Report)

The following table illustrates the global oil demand, along with the amount of oil lost to electric vehicles, for the periods indicated:

Global oil demand



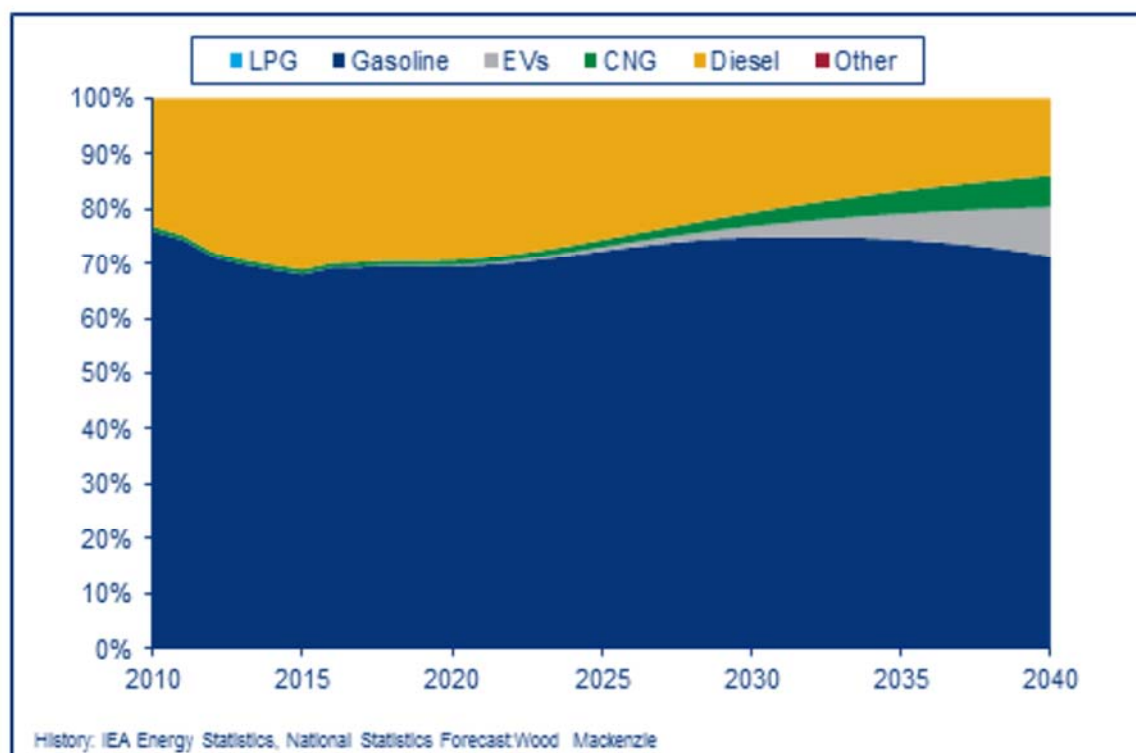
(Source: Electric Vehicle Report)

Oil Demand – India

India is still in the early stages of economic development, and thus car ownership is driven by income and affordability. In the short to medium term, electric cars are not expected to make a significant impact, as the growth is concentrated in mid-range and high-end electric vehicles which has a relatively small market share. Additionally, India is struggling with changing and insufficient infrastructure constraints.

(Source: India product markets long-term outlook H1 2019, Commodity Market Report, Wood Mackenzie, July 2019 (“India Product Report”))

The following chart illustrates the share of passenger vehicles in India by fuel type for the periods indicated:



(Source: India Product Report)

Overview of the Refining Industry in India

Indian Economy

India remains the fastest growing economy, with a GDP growth of 7.3% in calendar year 2018, an increase from the 6.7% in calendar year 2017, and higher than the growth rates for United States, the European area and China, at 2.9%, 1.8% and 6.6%, respectively, in calendar year 2018. India is forecasted to continue to grow significantly, at 7.5% in calendar year 2020 and onwards, as the benefits of recent policy reforms continue to materialize. Domestic demand is the primary driver of India's GDP growth, accounting for about 60% of GDP. (Source: Indian Petrochemical Industry, Country Paper from India, Chemicals & Petrochemicals Manufacturers' Association (CPMA) India, Asia Petrochemical Industry Conference 2019)

India's GDP at purchasing power parity ("PPP") was U.S.\$ 9.49 trillion in calendar year 2017. It is the third largest PPP globally, behind China and the United States. The gross national income per capita is estimated to become approximately U.S.\$7,000 in calendar year 2020, a 7.8% increase from U.S.\$ 6,490 in calendar year 2016.

The Indian population was 1.34 billion in calendar year 2017. It is the second most populous country in the world, with a growth rate of 1.17% and the median age was 27.9 years in calendar year 2017. India is forecasted to surpass China and become the most populous country by calendar year 2025.

The urbanisation rate is accelerating in India at 33.5%, with a 0.4% annual growth rate. It is forecasted that 45% of the Indian population will be living in cities by calendar year 2040.

(Source: ICIS Consulting Report Executive Summary)

India ranks third in terms of oil consumption per day, consuming 5.2 mb/d in, behind the United States and China, who had 20.5 mb/d and 13.6 mb/d, respectively, in calendar year 2018 (*Source: BP Report*).

Introduction

The oil and gas sector in India has until recently been dominated by public sector oil marketing companies and their refining associates. Over the last decade and a half, India has witnessed the emergence of private sector players, primarily in the refining sector. The strategic importance of the oil sector and the economic policies of past governments resulted in tight regulation. State control was consolidated in 1976 when downstream oil companies were nationalized and pricing and distribution was regulated through the introduction of the administered price mechanism.

India is one of the drivers for the trend over the past decade in increased oil demand. India's oil demand is forecasted to grow by 4.4 mb/d between calendar year 2018 and calendar year 2040, accounting for one-third of global oil demand growth. This is driven primarily by rising income levels, an expanding middle class and a growing need for mobility.

India has the second-largest refining capacity in Asia after China, with 23 fuel refineries and a total refining capacity of approximately 4.98 mb/d in calendar year 2018.

The prospect for high oil demand growth, coupled with historical under-investment from the Indian public sector refineries, have resulted in a challenge to increase refinery capacity to meet demand for transport fuels. Consequently, Indian refiners are planning numerous projects to increase refinery capacity to approximately 4.6 mb/d of refinery capacity, 65% of which is planned by Indian public sector undertakings.

(Source: India Product Report)

In calendar year 2018, India's total oil consumption was 5.2 mb/d, a 64.3% increase since calendar year 2008 which had only 3.2 mb/d of total consumption (*Source: BP Report*). In calendar year 2015, India surpassed Japan as the world's third-largest oil consumer, and still continues in that position in calendar year 2018 (*Source: BP Report*). Indigenous crude oil processing was 31.7 million metric tons for financial year 2019, while domestic crude oil consumption stood at 211.6 million metric tons for the same period (*Source: Ready Reckoner Report*). India's import dependency (based on consumption) was 83.7% for financial year 2019 (*Source: Ready Reckoner Report*).

Indian refineries may source crude oil through various means. The price of crude oil imports in India is commonly benchmarked through the Indian Crude Basket, which combines the prices of a mix of crude oil consumed in India, using North Sea (Brent), Dubai and Oman benchmark prices in the basket calculation.

The following table sets forth average international crude oil prices for the Indian basket for the periods indicated:

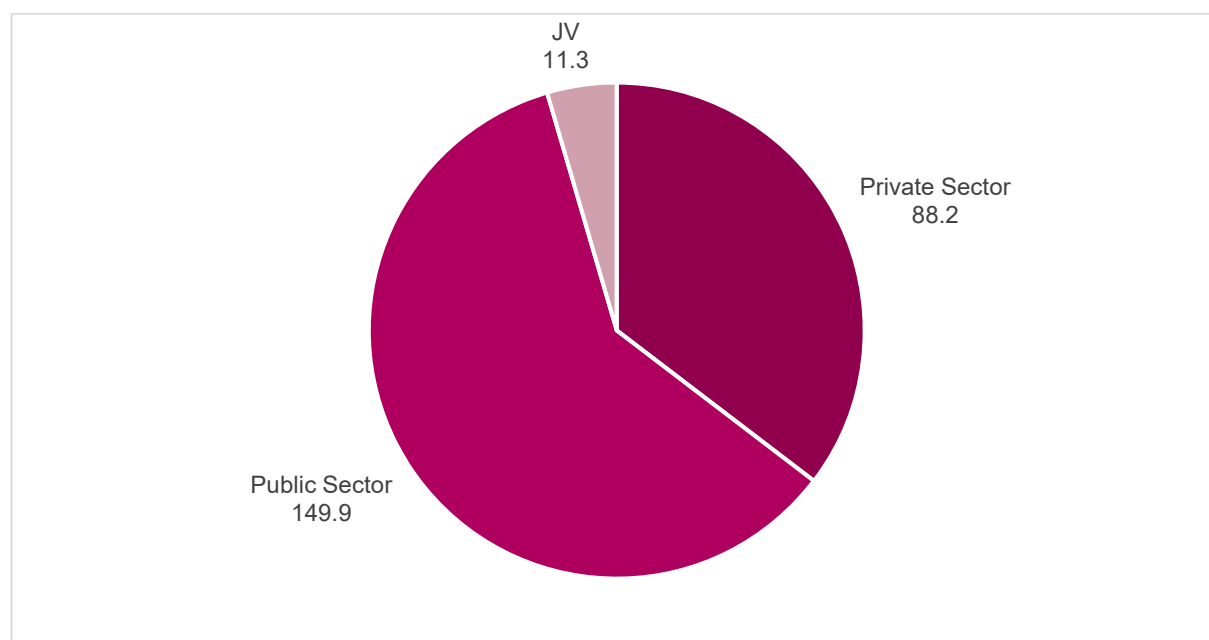
	Financial Year							Annual Growth financial year 2018 to financial year 2019
	2013	2014	2015	2016	2017	2018	2019	
	(U.S.\$/bbl)							
Average crude oil price	107.97	105.52	84.16	46.17	47.56	56.43	69.88	23.8%

(Source: Ready Reckoner Report)

Refining Capacity in India

Crude oil refining capacity in India increased by 2.1% from 251.9 million metric tons in financial year 2018 to 257.2 million metric tons in financial year 2019. Total refining capacity grew from 247.6 MMTPA as of April 1, 2018 to 249.4 MMTPA as of April 1, 2019.

The following chart sets forth the distribution of petroleum refining capacity, in MMTPA, in India as of April 1, 2019:



(Source: Ready Reckoner Report)

The following table sets forth the installed capacities of refineries in India for the periods indicated:

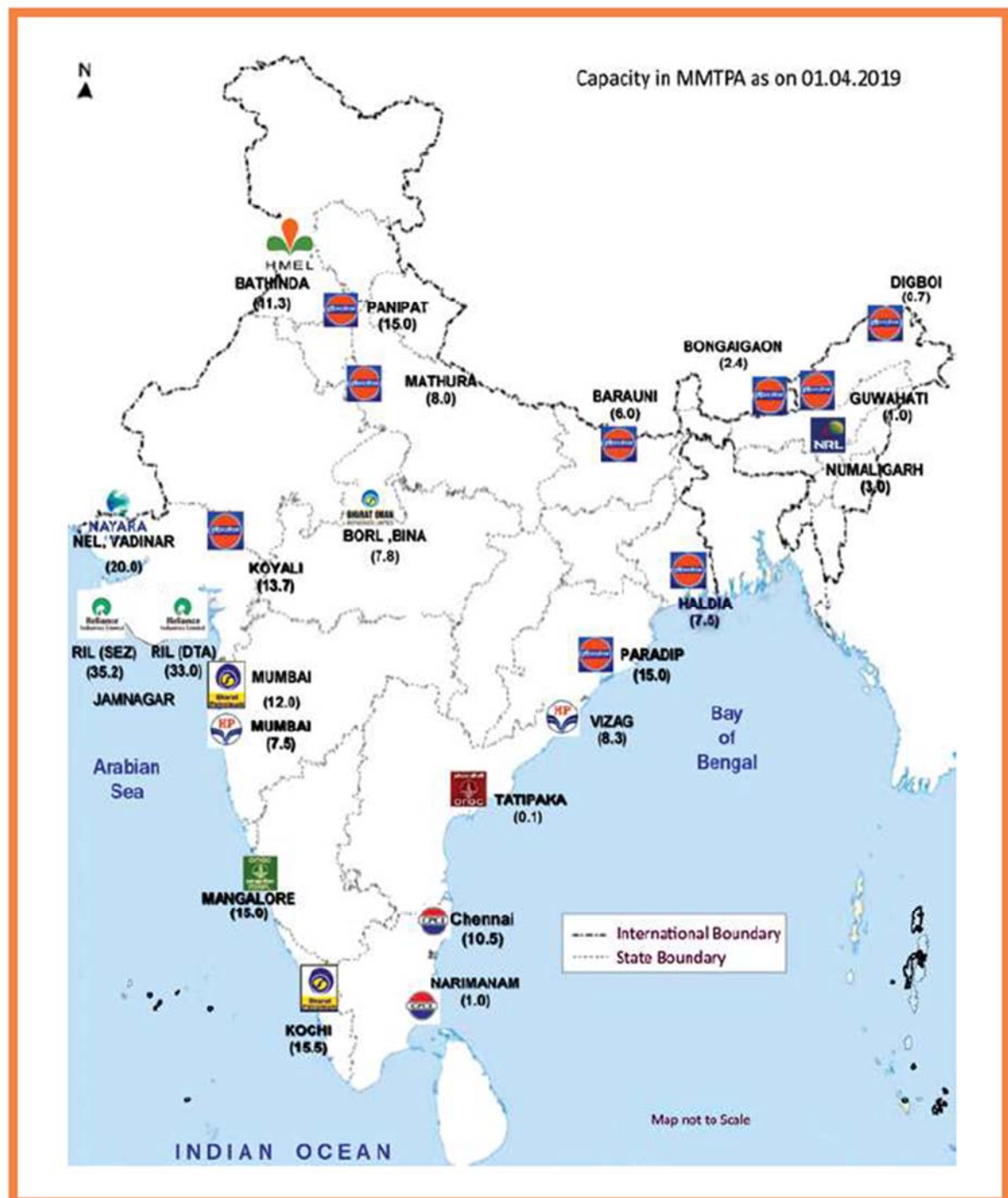
	As of April 1,				
	2015	2016	2017	2018	2019
	(million metric tons per annum)				

Refinery

	As of April 1,				
	2015	2016	2017	2018	2019
	(million metric tons per annum)				
Barauni	6.0	6.0	6.0	6.0	6.0
Koyali	13.7	13.7	13.7	13.7	13.7
Haldia	7.5	7.5	7.5	7.5	7.5
Mathura	8.0	8.0	8.0	8.0	8.0
Panipat	15.0	15.0	15.0	15.0	15.0
Guwahati	1.0	1.0	1.0	1.0	1.0
Digboi	0.7	0.7	0.7	0.7	0.7
Bongaigaon	2.4	2.4	2.4	2.4	2.4
Paradip	—	15.0	15.0	15.0	15.0
IOCL Total	54.2	69.2	69.2	69.2	69.2
Mumbai	6.5	6.5	7.5	7.5	7.5
Visakh	8.3	8.3	8.3	8.3	8.3
HMEL-Bathinda	9.0	9.0	9.0	11.3	11.3
HPCL Total	23.8	23.8	24.8	27.1	27.1
Mumbai	12.0	12.0	12.0	12.0	12.0
Kochi	9.5	9.5	12.4	15.5	15.5
BORL-Bina	6.0	6.0	6.0	6.0	7.8
BPCL Total	27.5	27.5	30.4	33.5	35.3
Manali	10.5	10.5	10.5	10.5	10.5
CBR	1.0	1.0	1.0	1.0	1.0
CPCL Total	11.5	11.5	11.5	11.5	11.5
NRL-Numaligarh	3.0	3.0	3.0	3.0	3.0
ONGC-Tatipaka	0.1	0.1	0.1	0.1	0.1
MRPL-Mangalore	15.0	15.0	15.0	15.0	15.0
ONGC Total	15.1	15.1	15.1	15.1	15.1
RIL-Jamnagar (DTA)	33.0	33.0	33.0	33.0	33.0
RIL-Jamnagar (SEZ)	27.0	27.0	27.0	35.2	35.2
NEL (formerly EOL)-Vadinar	20.0	20.0	20.0	20.0	20.0
All India	215.1	230.1	234.0	247.6	249.4

(Source: Ready Reckoner Report)

The following map displays locations of refineries in India as of April 1, 2019:



Note: Map not to scale

(Source: Ready Reckoner Report)

The following table sets forth the NCI values for key refineries:

Company	NCI Value
Reliance Industries (Jamnagar) ⁽¹⁾	21.1
IOCL (Paradip)	12.2
Nayara	11.8
Thai Oil	9.8
SK Corp	9.7
BPCL (Bina)	9.1
Sinopec	8.8
Star Petroleum Refining Public Company Limited	6.8
Esso	6.6

(Source: The above information has been extracted from publicly available sources on the respective companies' websites)

(1) As per KBC, a global refinery consultant, including ROGC and downstream unit.

Production of Refined Petroleum Products in India

Driven by domestic consumption, production of petroleum products by Indian refineries increased by 3.2%, from 254.3 million metric tons for financial year 2018 to 262.4 million metric tons for financial year 2019. However, crude oil production decreased to 257.2 million metric tons in financial year 2019 from 251.9 million metric tons in financial year 2018. During year financial year 2019, exports of petroleum products were 61.1 million metric tons.

(Source: Ready Reckoner Report)

The following table sets forth production of petroleum products for the periods indicated:

	Financial Year⁽²⁾				Period⁽³⁾	
	2016	2017	2018	2019	April 2017- July 2018	April 2018- July 2019 (P)
	<i>(millions metric tons)</i>					
Products						
HSD	98.6	102.1	108.1	110.6	37.4	37.3
MS	35.3	36.6	37.8	38.0	13.0	13.0
Naphtha	17.9	19.7	20.0	19.6	6.3	5.9
FO	10.3	11.8	9.8	9.5	3.0 ⁽⁴⁾	3.1 ⁽⁴⁾
ATF	11.8	13.8	14.7	15.5	5.2	4.9
LPG	10.6	11.3	12.4	12.8	4.2	4.1
SKO	7.5	6.0	4.3	4.1	1.4	1.2
Bitumen	5.2	5.2	5.3	5.6	2.0	1.8
LSHS	0.4	0.3	0.5	0.4	— ⁽⁴⁾	— ⁽⁴⁾
Lubes	1.0	1.0	1.0	0.9	0.4	0.3

	Financial Year ⁽²⁾				Period ⁽³⁾	
	2016	2017	2018	2019	April 2017- July 2018	April 2018- July 2019 (P)
LDO	0.4	0.6	0.6	0.7	0.1	0.2
RPC/Petcoke	13.3	12.9	13.9	13.7	4.7 ⁽⁵⁾	4.5 ⁽⁵⁾
Others ⁽¹⁾	19.6	22.3	26.2	31.0	10.0	9.9
Total	231.2	243.5	254.3	262.4	87.8	86.0

Notes:

- (1) Includes products such as propylene, solvents (Hexane, benzene, toluene, xylene and specialty solvents), reformat, MTO, carbon black feed stock, waxes and sulphur.
- (2) Source: Ready Reckoner Report.
- (3) Source: Ready Reckoner, Snapshot of India's Oil & Gas data July 2019, Petroleum Planning & Analysis Cell, Ministry of Petroleum & Natural Gas, as on August 20, 2019 ("Ready Reckoner July Snapshot")
- (4) Includes both FO and LSHS.
- (5) Includes only Petcoke.

Refinery Capacity Utilization Rates in India and Refining Margins

The following table sets out refinery capacity utilization rates in India for the periods indicated:

	Financial Year						
	2013	2014	2015	2016	2017	2018	2019
Refinery Capacity Utilization (%)	102.9	103.5	103.8	101.2	104.9	101.7	103.1
(Source: Ready Reckoner Report)							

Typically, a utilization rate of approximately 95% is considered optimum, as it allows for normal shutdowns required for maintenance and seasonal adjustments. Occasionally, through upgrades or de-bottlenecking procedures, refineries can process more crude than the installed size of the distillation unit would indicate. In such cases, utilization rates over 100% can be achieved.

The increasing complexity and sophistication of Indian refineries has supported a trend of a relative increase in GRMs compared to refineries in other Asian countries. The large-scale nature and complexity of India's greenfield refineries is expected to lead to lower marginal cost of production compared to older, less complex refineries. The increasing ability to process heavier and cheaper crude grades also supports GRMs by lowering input costs. Finally, the ability to produce complex, high-end products which are competitive in international markets also supports GRMs of Indian refineries.

The following table sets forth the average GRMs for companies for the periods indicated:

	Financial Year ⁽¹⁾			
	2016	2017	2018	2019
	(U.S.\$/bbl)			
IOCL	5.06	7.77	8.49	5.41
BPCL	6.59	5.26	6.85	4.85

	Financial Year ⁽¹⁾			
	2016	2017	2018	2019
	(U.S.\$/bbl)			
HPCL.....	6.68	6.20	7.40	5.01
CPCL.....	5.27	6.05	6.42	3.70
MRPL.....	5.20	7.75	7.54	4.06
NRL.....	23.68	28.56	31.92	28.11
BORL.....	11.70	11.80	11.70	9.80
RIL.....	10.80	11.00	11.60	9.20
NEL (formerly EOL).....	10.81	9.14	8.95	Not available
Singapore.....	7.52	5.83	7.23	4.88

Note:

- (1) Figures are translated into U.S. Dollars per the U.S. Dollar to Indian Rupee rate as per the appropriate exchange rates applicable for the computation of GRMs of the respective financial year, and not based on the June 28, 2019 U.S. Dollar to Indian Rupee rate.

Consumption of Refined Petroleum Products in India

While India consumed 206.2 million metric tons of petroleum products in financial year 2018, consumption increased by 2.6% to 211.6 million metric tons in financial year 2019 (*Source: Ready Reckoner Report*). The projected consumption of petroleum products between April and July 2019 was 72.5 million metric tons (*Source: Ready Reckoner July Snapshot*). During financial year 2019, 78.1% of consumption was in the public sector, while 21.9% was in the private sector (*Source: Ready Reckoner July Snapshot*).

The primary drivers of growth for India's demand for refined petroleum products is sustained economic growth and an increase in consumption. The growth rate of India's GDP increased from 6.7% in calendar year 2017 to 7.3% in calendar year 2019, and is projected to increase to 7.5% in calendar year 2020 and onwards (*Source: India Petrochemicals Report*).

India's 13th five year plan projects that demand for petroleum products will increase at a CAGR of 5.6% to 245.0 million metric tons for financial year 2022, from 197.4 million metric tons for financial year 2018 (*Source: Ready Reckoner, Demand Projection XII and XII Plan, Petroleum Planning & Analysis Cell, Ministry of Petroleum & Natural Gas*). See "Demand Outlook" for further information.

Consumption by Type of Petroleum Products in India

The following chart sets out consumption by type of petroleum products in India for the periods indicated:

	Financial Year				Period	
	2016	2017	2018	2019	April 2018-February 2019	April 2018-February 2019 (P)
	(million metric tons)					
Product						
LPG.....	19.6	21.6	23.3	24.9	7.9	8.0

	Financial Year				Period	
	2016	2017	2018	2019	April 2018-February 2019	April 2018-February 2019 (P)
MS	21.8	23.8	26.2	28.3	9.4	10.3
Naphtha	13.3	13.2	12.9	14.1	4.5	3.8
ATF	6.3	7.0	7.6	8.3	2.7	2.7
SKO	6.8	5.4	3.8	3.5	1.2	1.0
HSD	74.6	76.0	81.1	83.5	28.7	29.4
LDO	0.4	0.4	0.5	0.6	0.2	0.2
Lubes	3.6	3.5	3.9	3.9	1.2	1.2
FO/LSHS	6.6	7.2	6.7	6.5	2.1	2.1
Bitumen	5.9	5.9	6.1	6.6	2.3	2.3
Petcoke	19.3	24.0	25.7	20.5	7.7	7.5
Others	6.4	6.6	8.3	11.0	3.4	4.1
All India	184.7	194.6	206.2	211.6	71.4	72.5
Growth (%)	11.6	5.4	5.9	2.7	5.4	1.6

Notes:

(2) Source: Ready Reckoner Report.

(3) Source: Ready Reckoner July Snapshot

Demand Outlook

Total product demand in India is forecast to grow from 4.84 mb/d in calendar year 2018 to 9.2 mb/d, at an average annual growth rate of 3.1%. Over the forecasted period, demand growth is expected to be driven mainly by the strength in the transport, petrochemicals, and residential, commercial and agriculture sectors (*Source: India Product Report*).

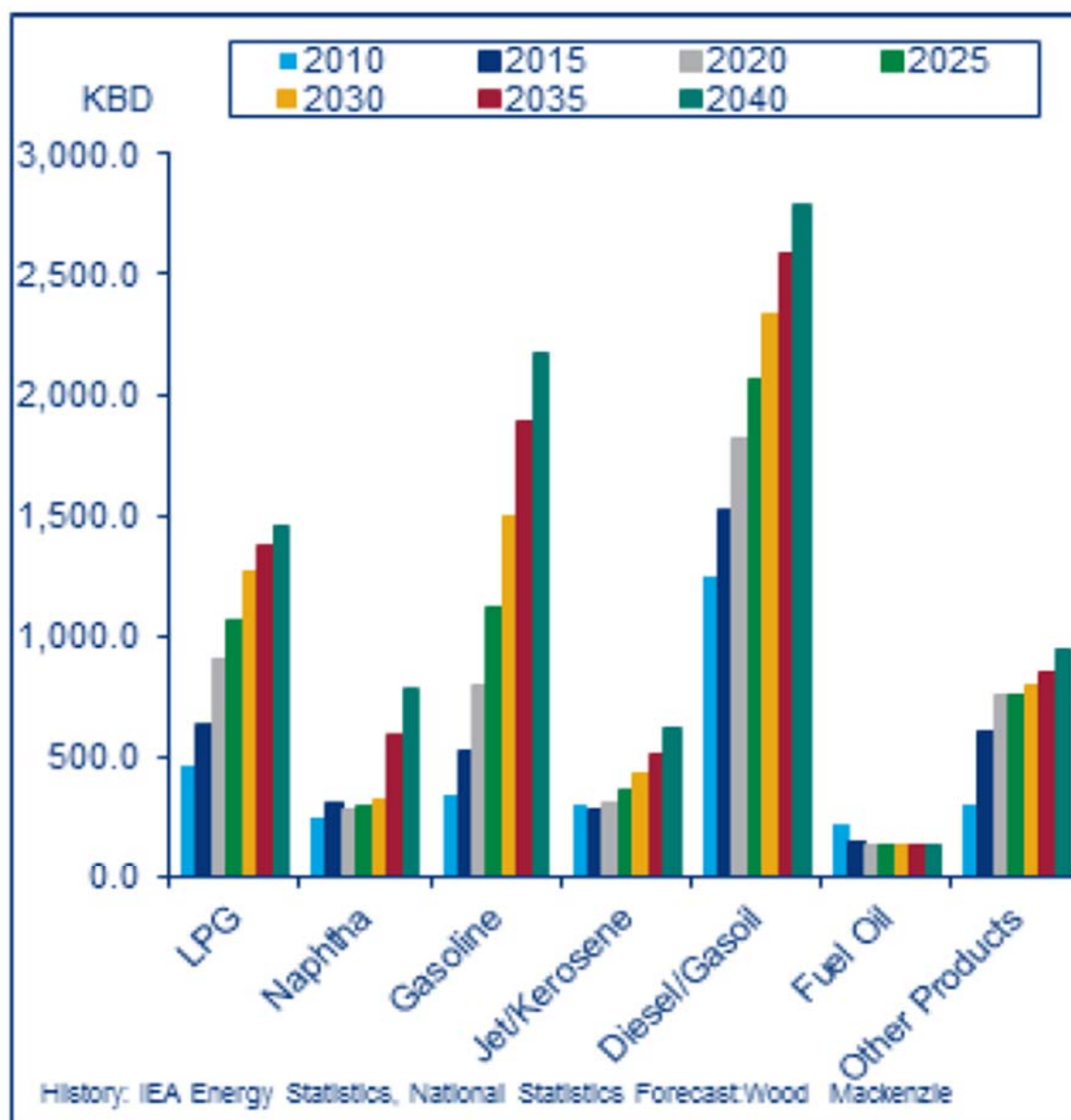
The following table sets forth projected demand by product according to the XIII Five Year Plan for the periods indicated:

Product	Financial Year		
	2020	2021	2022
	(thousand metric tons)		
LPG	23,868	24,342	24,770
MS	28,774	31,095	33,651
Naphtha	14,923	15,388	15,388
ATF	10,829	11,673	12,517
SKO	6,162	5,977	5,798

	Financial Year		
	2020	2021	2022
	<i>(thousand metric tons)</i>		
HSDO.....	97,859	104,101	110,785
LDO	400	400	400
Lubes.....	3,297	3,389	3,485
FO/LSHS.....	7,845	7,845	7,845
Bitumen.....	6,687	6,878	7,165
Petcoke.....	14,000	15,476	17,089
Others	6,103	6,085	6,067
Total	220,747	232,649	244,960

(Source: Ready Reckoner Report)

The following chart sets forth projected demand by product in India according to the India Product Report for the periods indicated:



(Source: India Product Report)

Naphtha

India's Naphtha demand declined by more than 20% between calendar year 2006 and calendar year 2010, largely because of the substitution of Naphtha for natural gas in the fertiliser industry and in power generation. However, India is currently the second fastest-growing petrochemical market in the Asia Pacific region, second to China. India's annual Naphtha based ethylene production capacity is forecast to continue to grow, while the pace of substitution of Naphtha in the fertiliser industry and in power generation is expected to decline. Therefore, Naphtha is forecast to grow at an average rate of 4.9% per year from calendar year 2018 to calendar year 2040, where it is expected to reach 0.783 mb/d.

(Source: India Product Report)

Gasoline

India's gasoline demand is forecast to grow at an average rate of 5.6% per year, from 0.68 mb/d in calendar year 2018 to 2.2 mb/d by calendar year 2040. This is in line with the forecasted 6.9% per year growth in the number of cars per thousand people in India, from an estimated 24 in calendar year 2018 to 37 in calendar year 2025 to a further 99 by calendar year 2040, largely resulting from the rise of the affluent middle class. In calendar years 2015 and 2016, consumer preference was for gasoline-fuelled vehicles as opposed to their diesel variants. This trend is anticipated to continue, such that sales of diesel-powered vehicles will decline from an estimated 30% of new car sales in calendar year 2015 only 12.5% by calendar year 2035. While diesel powered engines are expected to retain their niche in the utility vehicle segment, gasoline cars will dominate sales in the light-passenger vehicle segment.

(Source: India Product Report)

Diesel/gasoil

India's diesel/gasoil consumption is made up primarily of the transport sector, accounting for approximately of 70% of all diesel/gasoil consumption. As a result of continued improvements to the road infrastructure, diesel/gasoil demand is forecast to grow at 2.4% per year from calendar year 2018 to calendar year 2040. Diesel/gasoil accounts for the majority of the oil used in power generation, but oil represents a small portion of India's overall fuel mix for power generation (which is dominated by coal). Accordingly, diesel/gasoil used for electricity generation is expected to decline by an average 8.0% from calendar year 2018 to calendar year 2040.

(Source: India Product Report)

Fuel oil

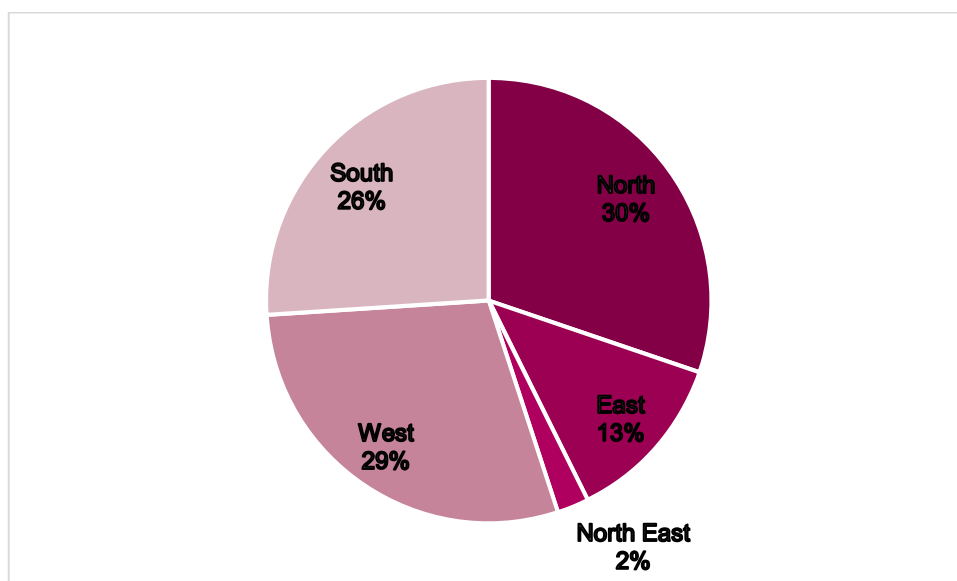
India's fuel oil demand has declined at an average rate of 1% between calendar year 2000 and calendar year 2016. Demand is forecasted to continue to decline at a slower rate of 0.5% from calendar year 2018 to calendar year 2040, largely as a result of the tapering of demand from industrial and commercial use, as major industrial users are switching to alternate fuels such as fertiliser producers opting instead for natural gas, with the decline being partially offset by increasing bunkering sector demand for inland water and bunkering transport.

(Source: India Product Report)

Overall

India's demand over the forecasted period is expected to be driven mainly by the strength in the transport, petrochemicals, and residential, commercial and agriculture sectors *(Source: India Product Report)*.

The following chart sets forth consumption of major petroleum products in India for financial year 2019 by region:



(Source: Ready Reckoner Report)

The following table sets forth the projected production and consumption of key products in northern Indian refineries for financial year 2018:

	Key Products					
	LPG	Naphtha	Motor Spirit	SKO	ATF	HSDO
	(thousand metric tons)					
Production						
IOCL, Mathura	477	392	1,508	280	637	3,696
IOCL, Panipat.....	744	1,746	1,816	386	1,370	7,508
HMEL, Bathinda	675	33	1,469	221	174	3,938
Total Production	1,896	2,171	4,793	887	2,181	15,142
Consumption	7,205	3,344	7,760	956	2,595	25,934
Production Deficit	(5,309)	(1,173)	(2,967)	(69)	(414)	(10,792)

(Source: Indian Petroleum and Natural Gas Statistics 2017-18, Ministry of Petroleum and Natural Gas, Economic & Statistics Division)

Transportation of Refined Petroleum Products in India

As the seventh largest country in the world, India requires the transport of petroleum products into the interiors and hinterland from ports and refinery locations. These movements are undertaken primarily through railways, pipelines, coastal tankers and road movement. Pipelines provide the cheapest, safest and most environmentally friendly mode of transportation. In most cases, products are ultimately delivered to the point of consumption by road transport.

Retail Distribution of Refined Petroleum Products in India

Oil marketing companies rely on multiple customer contact points, including retail outlets, bulk consumer pumps, LPG distributors and terminals, to sell petroleum products. Retail outlets represent one of the most important distribution modes to the public in India, allowing for improved product penetration and providing competitive advantages.

The total number of oil industry retail outlets increased to 64,625 as of April 1, 2019 from 62,585 as of April 1, 2018 (*Source: Ready Reckoner Report*).

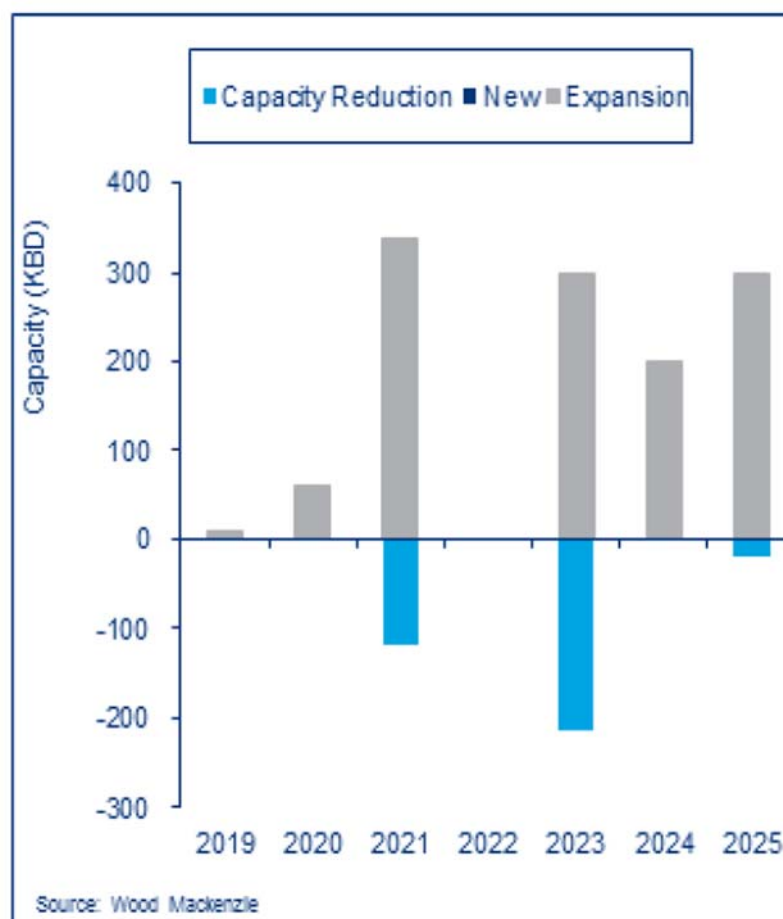
Increased Investment in Refineries

The prospect of strong demand growth is driving many refineries in India to consider investments. Almost all existing refineries in India have plans to expand their refinery capacity. Currently, crude distillation unit expansion projects account for 2.3 mb/d, though only 0.858 m/bd out of the total are firm from calendar year 2019 to calendar year 2025. These projects include:

- Indian Oil's Barauni refinery is expanding by 0.6 mb/d in calendar year 2021, from a current 0.12 mb/d to 0.18 mb/d by calendar year 2021;
- Indian Oil's Panipat refinery is expanding by 0.2 mb/d by calendar year 2024, reaching a capacity of 0.5 mb/d post expansion;
- Indian Oil's Koyali refinery is expanding by 0.86 mb/d by calendar year 2023;
- HPCL's Mumbai refinery is expanding by 0.4 mb/d in calendar year 2020, along with adding a CCR and Visbreaker unit;
- HPCL's Vizag refinery is expanding by 0.133 mb/d in calendar year, along with adding a new solvent de-asphalting unit with residue and distillate hydrocracker units;
- CPCL's Nagapattinam refinery is expanding by 0.16 mb/d by calendar year 2025; and
- There are four new refinery projects under discussion that do not yet have firm plans, two of which are from private sector firms and the other two are led by PSUs;
- There are several upgrading investments planned at existing refiners in India, including two cokers at Indian Oil's Manali and Kochi refinery added in calendar year 2017 with a combined capacity of 0.1 mb/d, and a new coker at the Haldia refinery added in calendar year 2018 with a capacity of 0.29 mb/d; and
- There are several upgrades expected to occur, as Indian refiners are preparing to meet the Bharat-VI norms by calendar year 2020, thus focusing on hydrotreating diesel and gasoline capabilities – nearly 0.98 mb/d of hydrotreating capacity is expected to become operational between calendar year 2019 and calendar year 2025 between Naphtha, gasoline and diesel.

(*Source: India Product Report*)

The following chart illustrates the refinery capacity investments for the periods indicated:



(Source: India Product Report)

Global Petrochemicals Industry

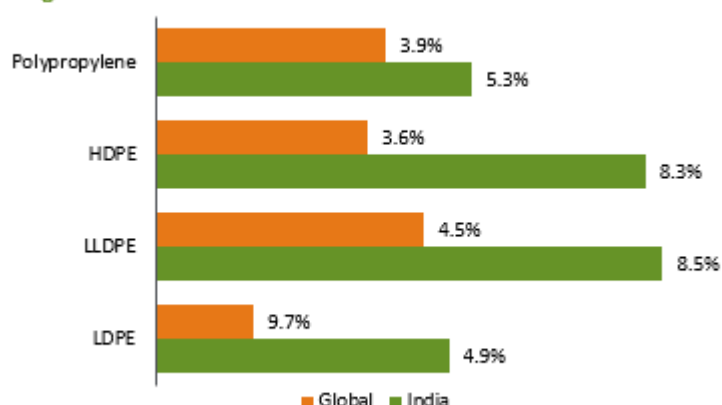
Global Overview

The petrochemicals industry is made up of a vast number of petrochemical derivatives that are used across several application areas and end-uses. The major petrochemical derivatives from key petrochemical building blocks are ethylene, propylene, butadiene and aromatics.

The following discussion provides an overview on the derivative and demand outlook for the following petrochemical derivatives: ethylene, LDPE, HDPE, LLDPE, propylene, polypropylene, benzene and mixed xylene.

(Source: ICIS Consulting Report) The following chart illustrates the average demand growth per year of global and Indian demand for polypropylene, HDPE, LLDPE and LDPE for the periods indicated:

Average Demand Growth Per Year from 2020-2030¹



(Source: ICIS Consulting Report)

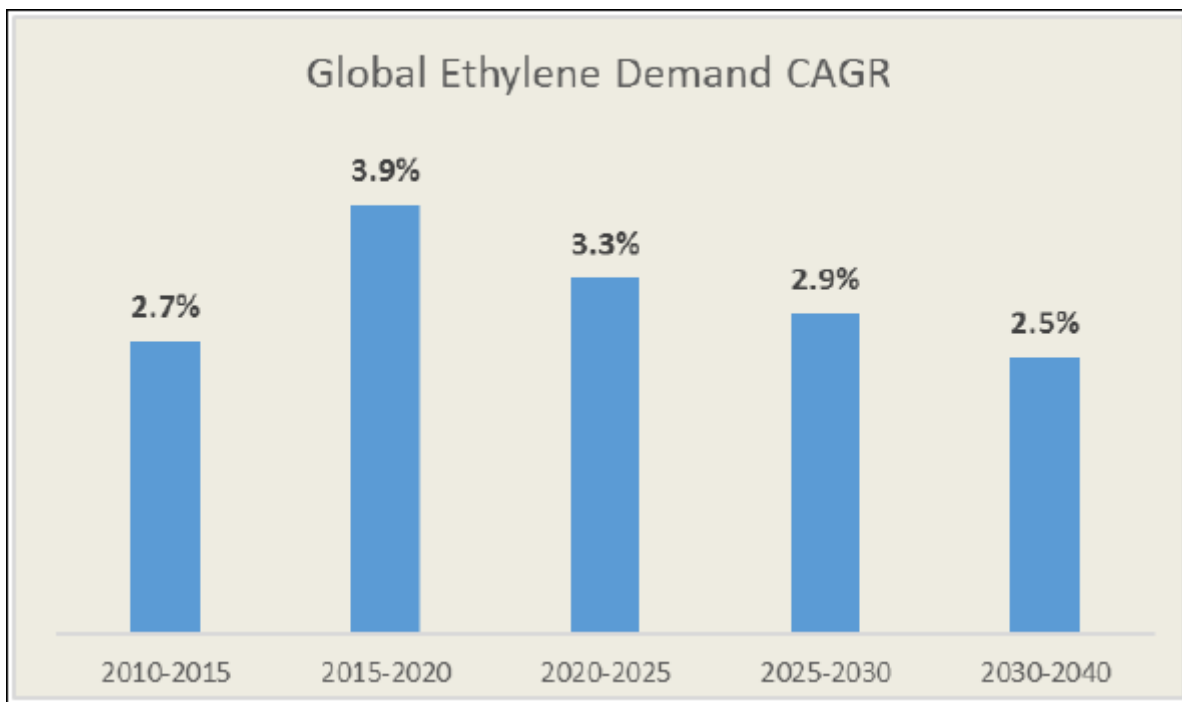
Ethylene

Ethylene is a key petrochemical feed stock, with major uses being in polyethylene (“PE”), ethylene oxide (“EO”) and ethylene dichloride (“EDC”). PE is comprised of LDPE, LLDPE and HDPE, and accounts for 59.7% of ethylene demand. EO and EDC demand accounts for 14.5% and 9.8%, respectively. Other smaller demand derivatives include ethylbenzene, vinyl acetate monomers, EVA copolymers and EPDM amongst others. There is also demand for ethylene, in small quantities, to be used as a feed stock for propylene and butene-1.

Global ethylene demand was nearly 147 million tons in calendar year 2016 and is forecast to reach around 178 million tons in calendar year 2021, rising to 299 million tons in calendar year 2040. Demand growth is projected to be strong both in the short term and long term, with a growth rate of 3.9% from calendar year 2015 to calendar year 2020, decreasing to 3.3% and 2.9% over the periods from calendar year 2020 to calendar 2025, and calendar year 2025 to calendar year 2030, respectively.

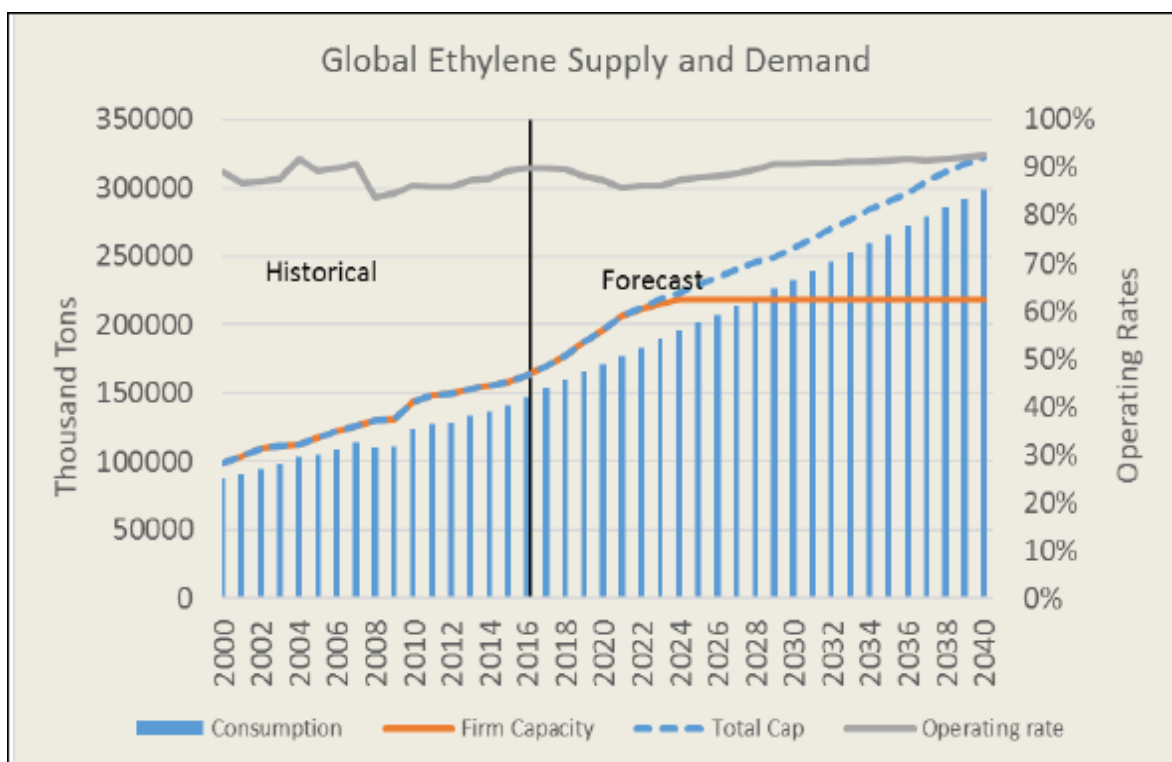
(Source: ICIS Consulting Report)

The following chart illustrates the global ethylene demand, in terms of compound annual growth rate, for the periods indicated:



(Source: ICIS Consulting Report)

The following chart illustrates the global ethylene supply and demand historical and forecast trend for the periods indicated:



(Source: ICIS Consulting Report)

There is only a minimal volume of inter-regional trade of ethylene relative to total demand. This is due to the hazardous nature and cost associated with transporting the product, which is a colourless flammable gas in its natural state thus requiring specialty equipment. Ethylene is most commonly consumed by integrated downstream plants, which are typically linked by pipeline. The Middle East is currently the largest net exporter and is expected to remain as such for the foreseeable future. The Asia Pacific region is expected to take over from the North East Asia region as the single largest net importer.

(Source: ICIS Consulting Report)

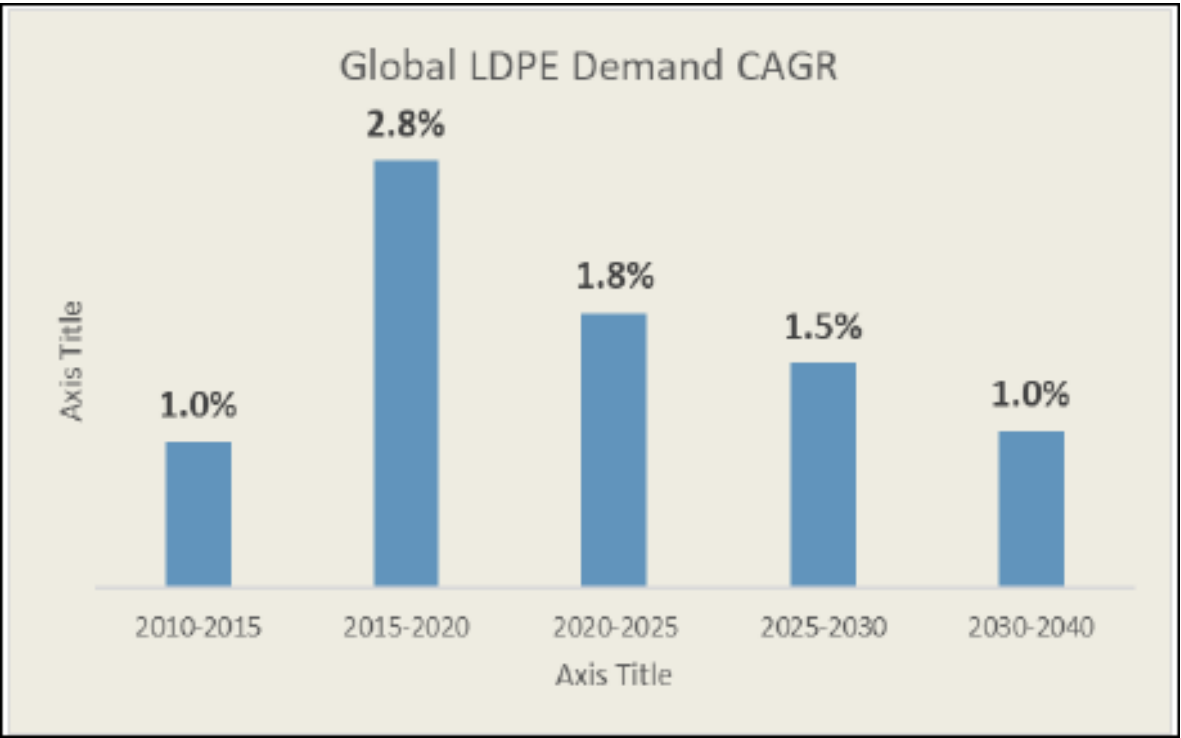
LDPE

LDPE is a polymer of ethylene used principally in film and sheet applications, followed by extrusion coating and injection moulding applications. It is used mainly as a packaging film either on its own or blended with linear low LLDPE to improve mechanical properties.

LDPE can be used in food, medical and pharmaceutical packaging in high-purity grades, as well as in agricultural films. It is also used in sheathing for wires and cables, extrusion coating of paper and boards for packaging liquid and in moisture barrier applications.

(Source: ICIS Consulting Report)

The following chart illustrates the global LDPE demand, in terms of compound annual growth rate, for the periods indicated:



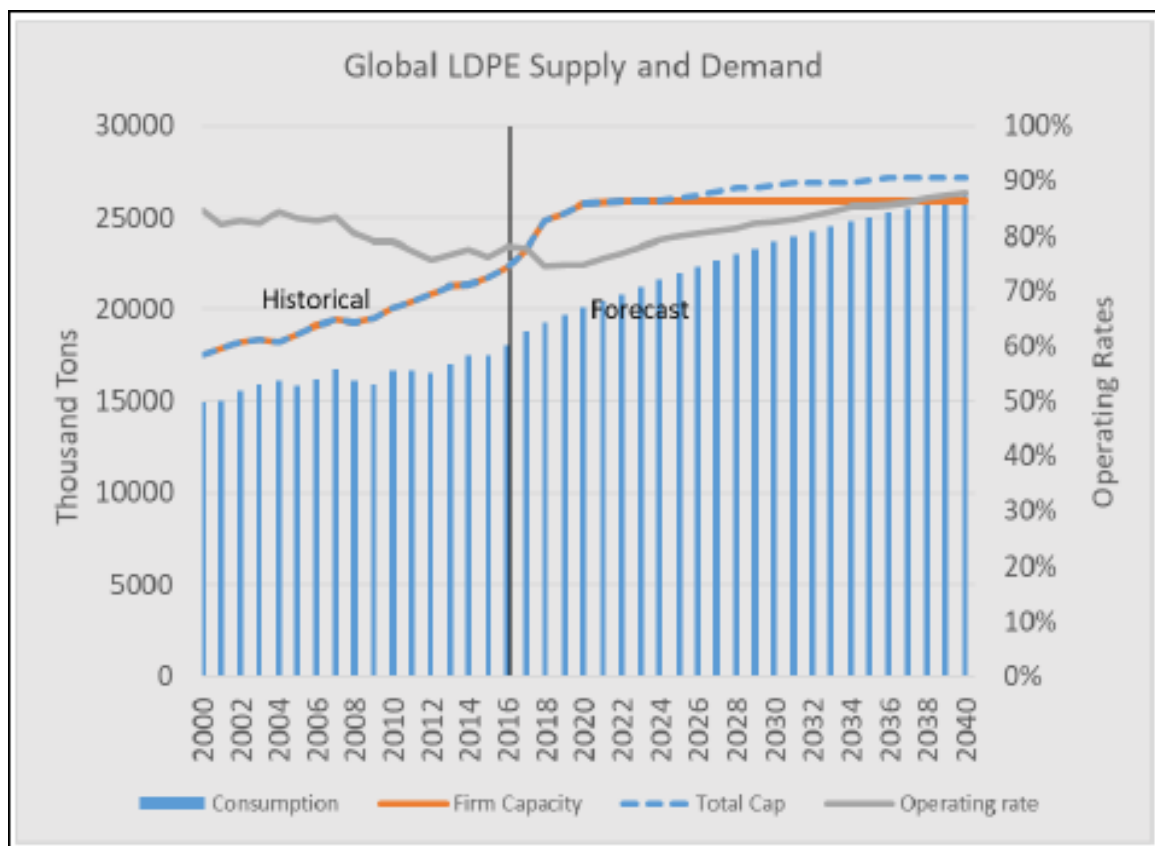
(Source: ICIS Consulting Report)

Global consumption of LDPE was estimated at 18 million tons in calendar year 2016. The global demand is projected to increase, at an average growth rate of 1.8% in the period from calendar year 2010 to calendar year 2025, and 1.5% between calendar year 2025 and calendar year 2030, reaching an estimated consumption of nearly 26 million tons in calendar year 2040. Global per capita consumption of LDPE, which is nearly 2.4 kg per capita in calendar year 2016 is projected to increase to 2.8 kg per capita in calendar year 2030 and 2.9 kg per capita in calendar year 2040.

per capita in calendar year 2040. Accordingly, operating rates are expected to increase from calendar year 2020, since new LDPE projects are limited.

(Source: ICIS Consulting Report)

The following chart illustrates the global LDPE supply and demand historical and forecast trend for the periods indicated:



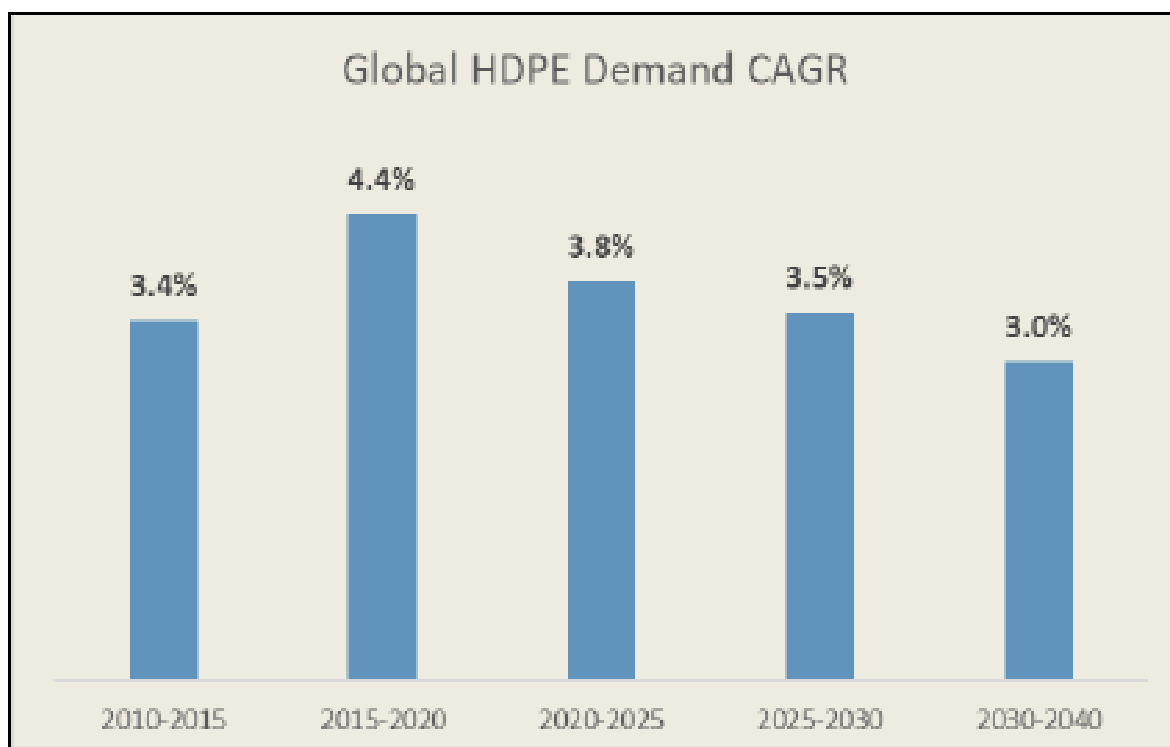
(Source: ICIS Consulting Report)

HDPE

HDPE is the biggest polymer within the polyethylene family, as well as the second fastest growing polyethylene after LLDPE. Globally, a major outlet for HDPE is in blow-moulding applications such as bottles for milk and non-carbonated drinks, and due to its good chemical resistance, it is also used in packaging numerous household and industrial chemicals such as detergents, bleach and acids. HDPE film and sheet are used in wrapping, refuse sacks, carrier bags and industrial liners. HDPE injection moulded products include crates, pallets, packaging containers and housewares, and extrusion grades are used in pipes and conduit.

(Source: ICIS Consulting Report)

The following chart illustrates the global HDPE demand, in terms of compound annual growth rate, for the periods indicated:

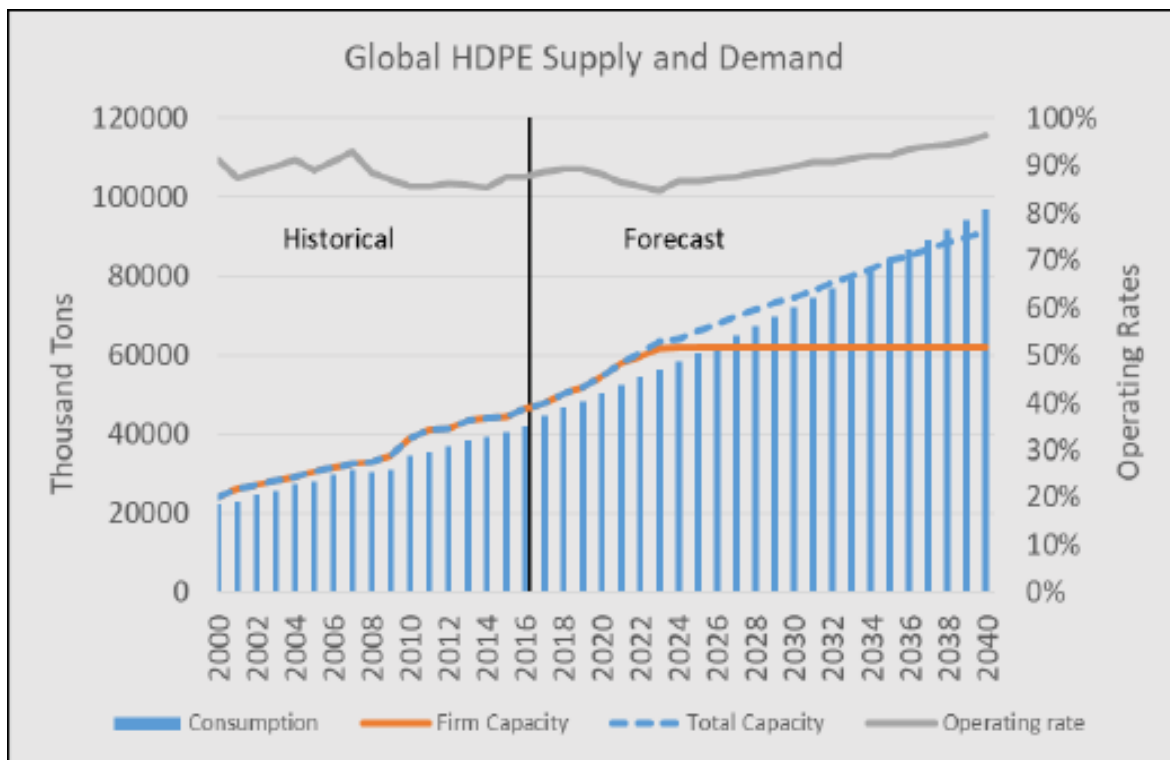


(Source: ICIS Consulting Report)

In 2017, the global demand for HDPE is estimated at 44.5 million tons, which is nearly 10 million tons, or 29%, more than the demand in calendar year 2010. For HDPE demand, CAGR of 3.4% is projected for calendar year 2015 to calendar year 2020 period, and it is expected to eventually decrease marginally to 3.0% over the longer term from calendar year 2030 to calendar year 2040. Over the 25 year period between calendar year 2015 and calendar year 2040, an average annual demand growth of 3.5% is expected – the higher than GDP forecast and growth rate increase is likely to be driven by Asian demand. The global growth in demand is projected to bring the HDPE per capita consumption from 5.66 kg per capita in calendar year 2016 to 7.46 kg per capita in calendar year 2025. The higher per capita consumption is in North America, where demand is nearly 16.4 kg per capita in calendar year 2016, while the lowest value is in Africa, where per capita consumption is 1.50 kg per capita in the same year.

(Source: ICIS Consulting Report)

The following chart illustrates the global HDPE supply and demand historical and forecast trend for the periods indicated:



(Source: ICIS Consulting Report)

The Middle East is forecasted to continue its position as the largest surplus region for HDPE globally, accompanied by increasing volumes of HDPE from North America, as a result of the availability of cheap ethane driving export-oriented derivatives investments. Almost all countries in the Asia Pacific region, other than the net exporters Thailand, Singapore and Malaysia, are expected to face a deficit for HDPE up until calendar year 2030. Malaysia is expected to turn into a net exporter from calendar year 2021 upon the start-up of its Petronas Rapid plant, which would have a capacity of 400,000 tons per year.

(Source: ICIS Consulting Report)

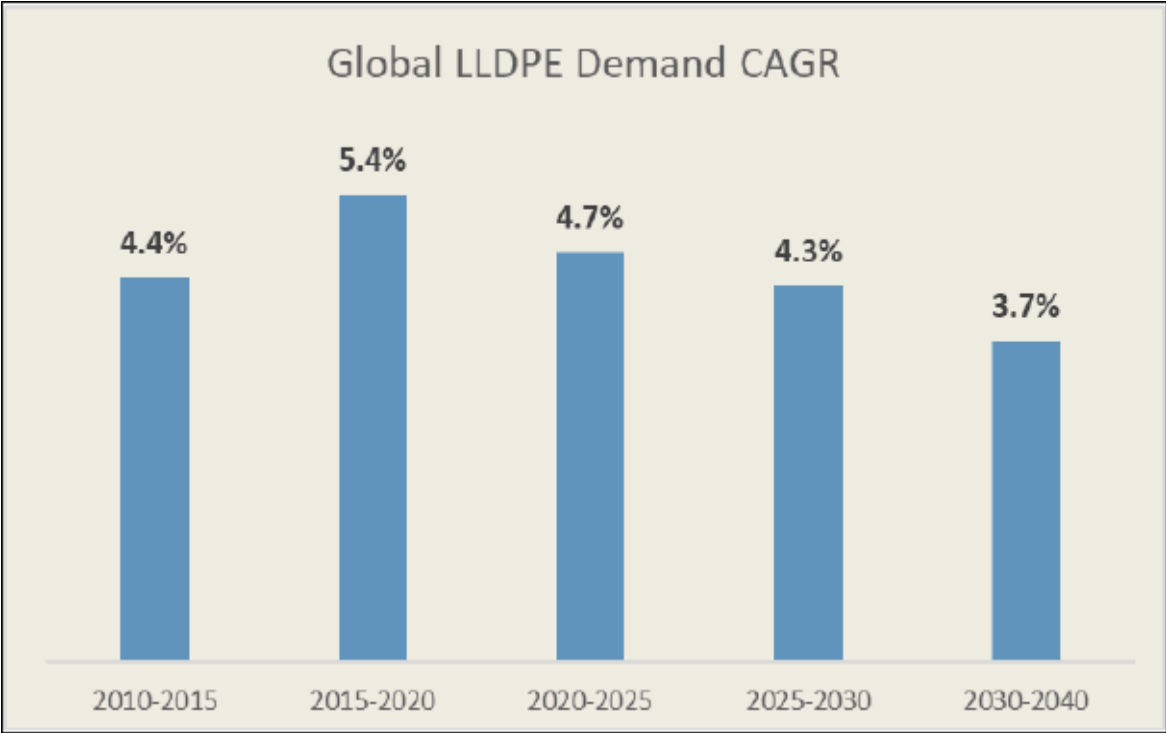
LLDPE

LLDPE is a thermoplastic polymer with higher tensile strength and superior impact and puncture resistance as compared to LDPE, which means that thinner films could be made out of it without sacrificing strength, saving material and reducing costs. However, LLDPE is not as easy to process as LDPE and it has poorer clarity. As a result, converters often use blends with LDPE to improve these properties. LLDPE is used in the same areas of application as that of LDPE, but proportionally more is used in the film sector. Specifically, the driver of LLDPE demand growth is food and non-food packaging (including films used in agriculture and construction). Packaging is a pervasive business serving practically all manufacturing sectors and the final consumer, and is thus less exposed to possible peaks or troughs for specific end-uses.

The rapid penetration of LLDPE in this large and diversified sector was and is supported by both the good mechanical characteristics of the polymer and its very competitive price. In particular, LLDPE producers have since the beginning adopted an aggressive pricing policy, granting customers a discount of 5% to 10%, as compared to LDPE pricing.

(Source: ICIS Consulting Report)

The following chart illustrates the global LLDPE demand, in terms of compound annual growth rate, for the periods indicated:



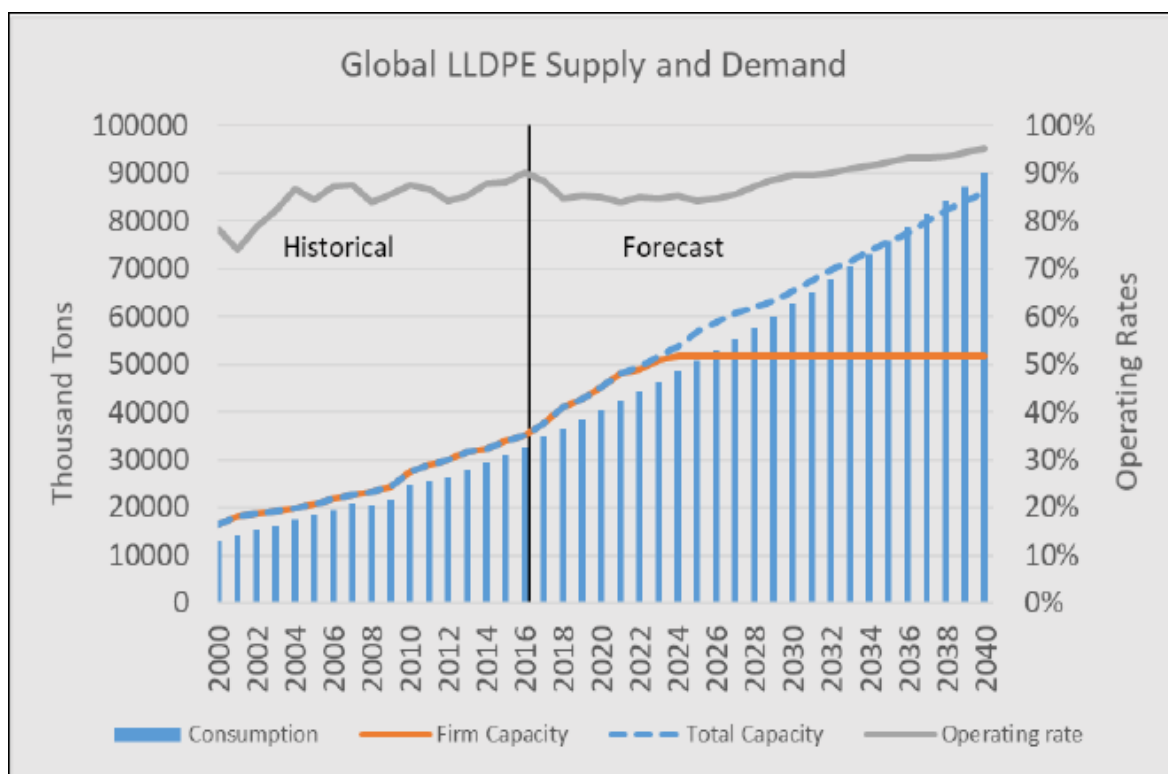
(Source: ICIS Consulting Report)

LLDPE is the fastest growing polymer in the polyethylene family, with global demand at 32.7 million tons in calendar year 2016. A 5 year CAGR of 5.4% is projected for the period of calendar year 2015 to calendar year 2020, which is eventually expected to decline towards 4.3% between calendar year 2025 to calendar year 2030. This global growth in demand is expected to increase the LLDPE per capita consumption from 4.4 kg per person in calendar year 2016 to 6.2 kg per capita by calendar year 2025, and 7.4 kg per capita by calendar year 2030. LLDPE consumption is forecast to grow above projected GDP.

Global LLDPE have historically operated in the range of 85% and it is expected to maintain that percentage in the short term. Despite the massive capacity addition, speculative capacity is anticipated after calendar year 2022 to keep pace with additional demand growth.

(Source: ICIS Consulting Report)

The following chart illustrates the global LLDPE supply and demand historical and forecast trend for the periods indicated:



(Source: ICIS Consulting Report)

Propylene

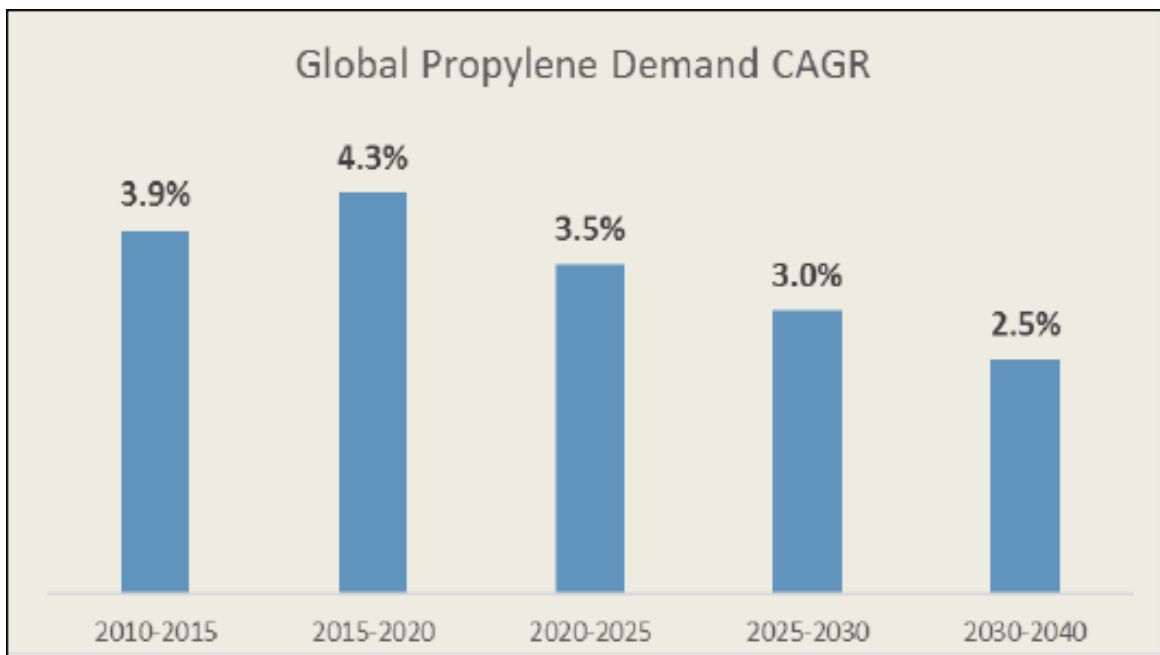
Propylene is a major petrochemical feed stock, being produced globally to supply the requirements for a number of key derivatives. Its largest derivative, PP, currently accounts for around two-thirds of total propylene demand. Other key uses for propylene include propylene oxide (“PO”), acrylonitrile (“ACN”), oxo alcohols (“butyraldehyde”), cumene and acrylic acid.

Polypropylene is the second largest commodity polymer in the world by demand, after polyethylene (consisting of HDPE, LLDPE and LDPE). It is used in a wide range of applications, including packaging, auto parts, consumer items such as appliances and furniture, industrial items such as sheeting and pipes, and fibres.

Global propylene demand was 99.4 million tons in calendar year 2016, and is forecast to reach 113 million tons by calendar year 2023 and 208 million by calendar year 2040. Demand growth up until calendar year 2030 is projected to remain above 3%, then decreasing to 2.5% for the period between calendar year 2030 to calendar year 2040. This trend is mirrored by demand growth in its downstream uses such as polypropylene, PO and ACN.

(Source: ICIS Consulting Report)

The following chart illustrates the global propylene demand, in terms of compound annual growth rate, for the periods indicated:

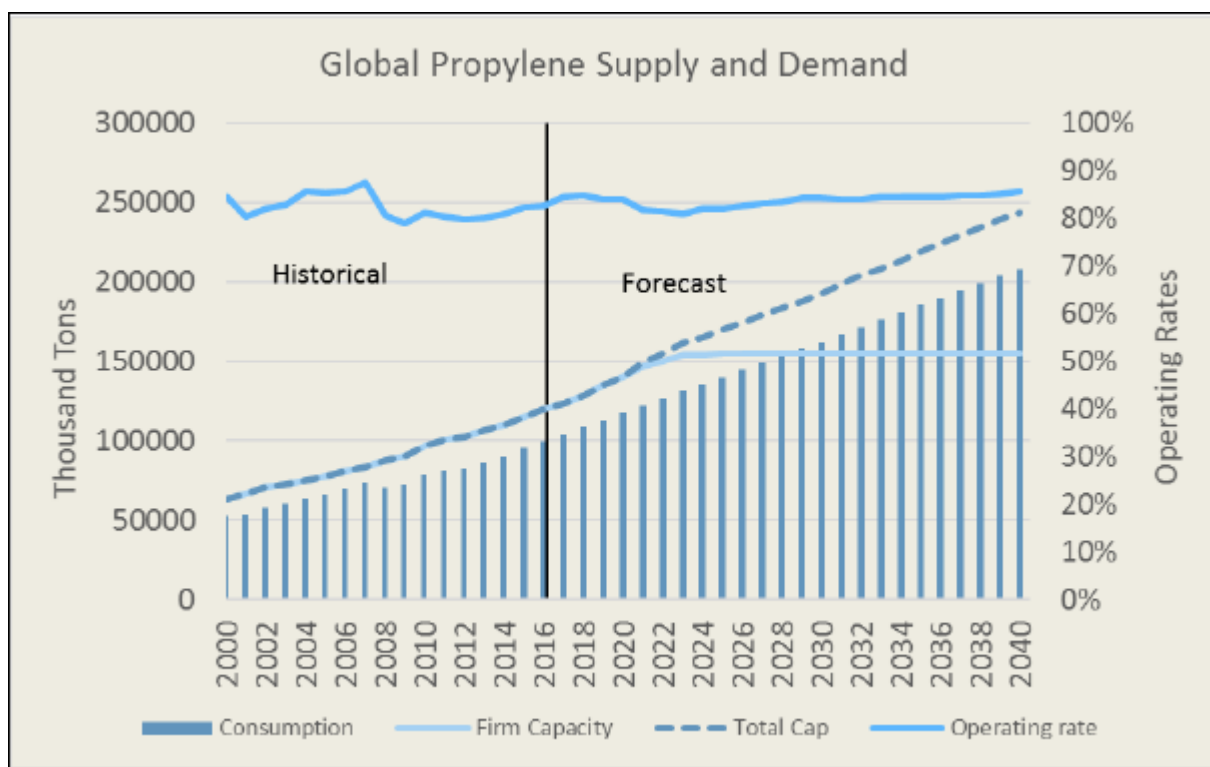


(Source: ICIS Consulting Report)

Propylene operating rates, at 80%, have been relatively consistent over recent years. The decrease in operating rates that can be seen from calendar year 2007 to calendar year 2009, from 88% to 79%, respectively, can be attributed to the calendar year 2008 global recession. Since then, operating rates have gradually been increasing, reaching 85% in calendar year 2017. This level of operating rates is predicted to continue into the future. Based on current demand projections, an additional 88 million tons of speculative propylene capacity per year is projected to be added between calendar year 2020 and calendar year 2040 to maintain a healthy operating rate.

(Source: ICIS Consulting Report)

The following chart illustrates the global propylene supply and demand historical and forecast trend for the periods indicated:



(Source: ICIS Consulting Report)

Polypropylene

Polypropylene is the second largest commodity polymer in the world by demand, after polyethylene. Three forms of PP are produced: isotactic, syndiotactic and atactic. Isotactic PP is the main form manufactured, which has its largest market in injection-moulded products.

Polypropylene is used in a wide range of applications, including flexible packaging, rigid packaging (crates, caps, closures, blow-moulded bottles, thin containers, etc.), interior and exterior auto parts (such as dashboards, covers, bumpers, trims), several consumer products (such as housewares, furniture, appliances, luggage, toys), fibres (such as filament, tape, non-woven, raffia), and other industrial items, sheets and pipes (such as domestic drainage).

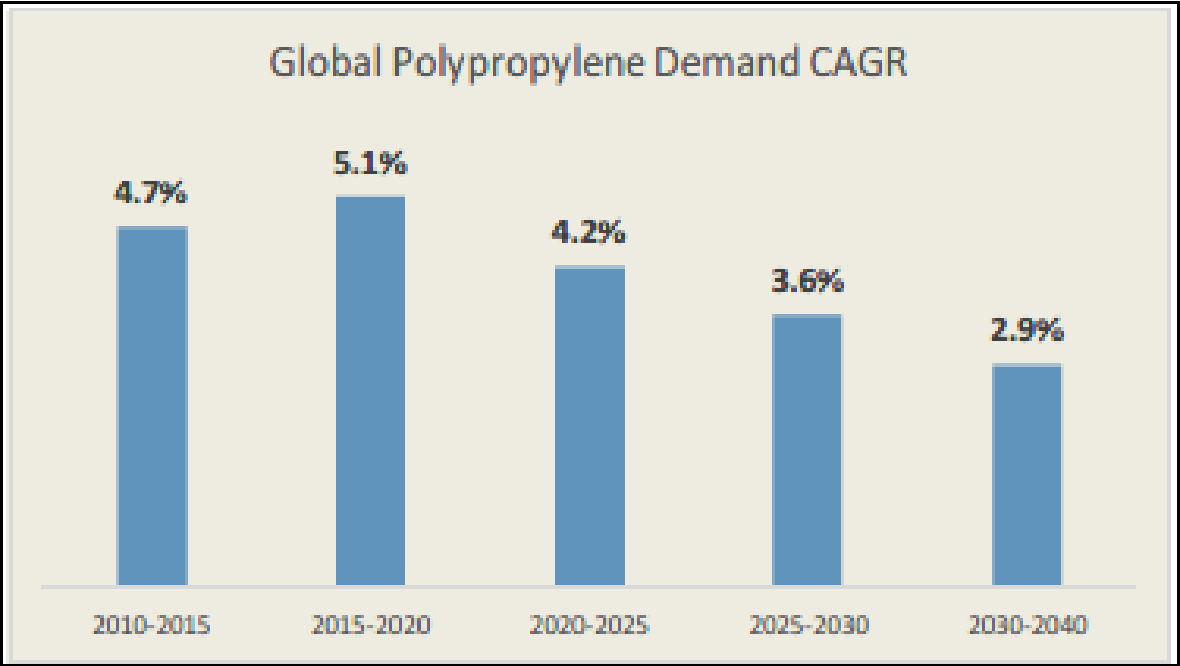
Future demand is projected to be led by many of these downstream sectors, in addition to smaller but fast-growing applications such as non-wovens applications used in hygiene products, and geotextiles, automotive and consumer products. Innovation and technical advances may expand the PP penetration into the medical sector.

Global PP demand was estimated at 71.4 million tons in calendar year 2017. Considerable demand growth is expected during the forecast period, albeit at a gradually decelerating growth rate over the longer term. The 5 year CAGR of 5.1% in calendar year 2015 to calendar year 2020, is projected to decrease to 4.2% between calendar year 2020 to calendar year 2025, and decrease further to 3.6% between calendar year 2025 to calendar year 2030. Accordingly, global consumption will reach 120.5 million tons by calendar year 2030, and it is projected to reach in excess of 160 million tons by calendar year 2040. PP demand is still expected to grow faster than the global economy.

According to these projections, world aggregated PP per capita consumption is forecast to surpass 10 kg by calendar year 2020, reach 17.5 kg by calendar year 2040, an amount which is more than double the corresponding level in calendar year 2015.

(Source: ICIS Consulting Report)

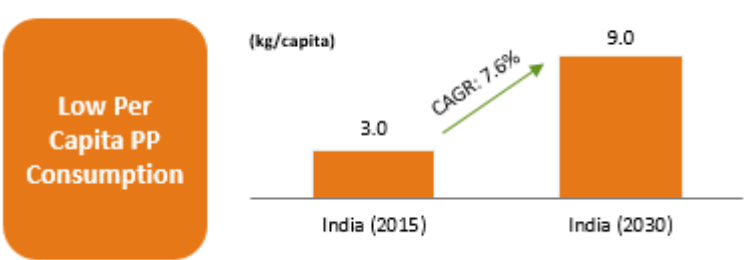
The following chart illustrates the global polypropylene demand, in terms of compound annual growth rate, for the periods indicated:



(Source: ICIS Consulting Report)

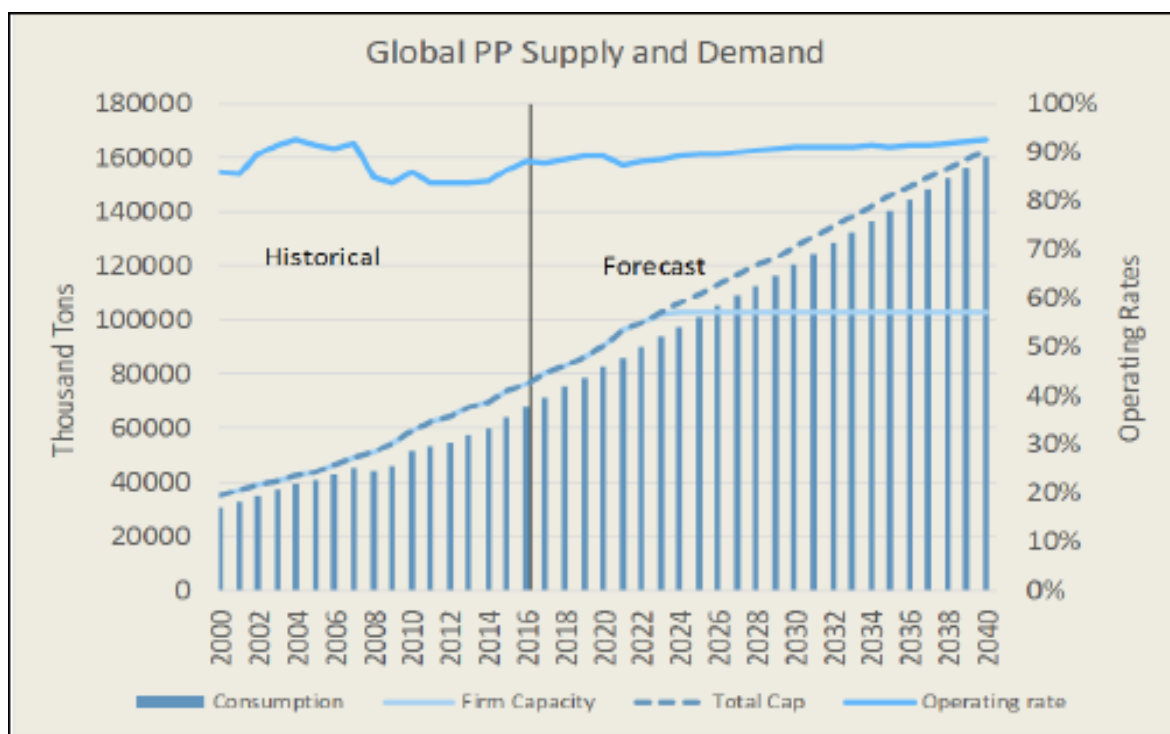
After calendar year 2023, the total additional capacity is estimated at 24 million per year by calendar year 2030 and in excess of 59 million tons per year by calendar year 2040.

The following chart illustrates the Indian polypropylene demand, in terms of compound annual growth rate, for the periods indicated:



(Source: ICIS Consulting Report)

The following chart illustrates the global polypropylene supply and demand historical and forecast trend for the periods indicated:



(Source: ICIS Consulting Report)

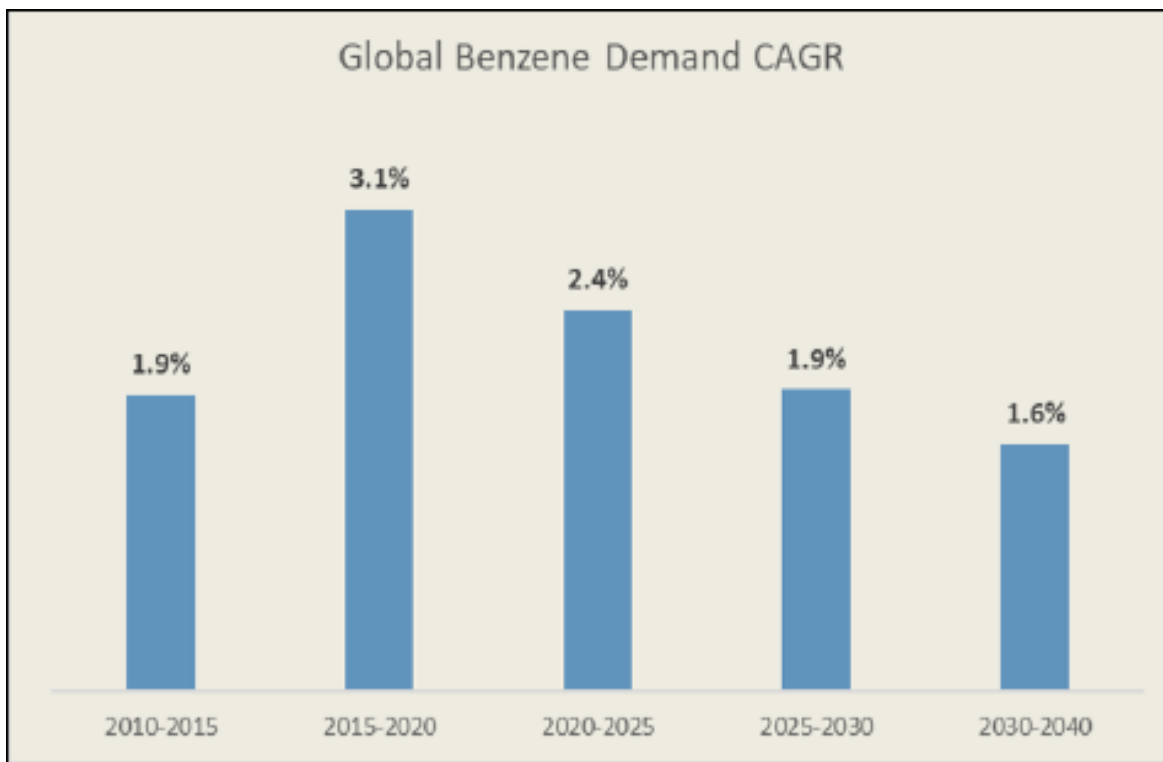
Benzene

Benzene consumption is used for the production of derivatives which are then further processed. Styrene via ethylbenzene is the largest consumer, accounting for just over 50% of global demand of benzene. Cumene, principally used for phenol and acetone production, is the next largest derivative, with around 20% of total demand of benzene. Cyclohexane is the third largest consumer, used as a feed stock for the polyamide industry. Nitrobenzene is the other major derivative and one which has gained in its share of benzene consumption due to the relatively strong demand for the downstream derivative methylene diphenyl diisocyanate. The major derivatives are forecast to experience similar levels of global growth and no significant changes in demand share are expected.

Global benzene demand was 47 million tons in calendar year 2016. Demand for benzene is expected to increase at a declining rate, as the CAGR decreases from 2.60% in between calendar year 2015 to calendar year 2020, in line with projected GDP of 1.7% during the same period but lower than projected GDP in between calendar year 2030 to calendar year 2040 period as consumption reaches its maturity.

(Source: ICIS Consulting Report)

The following chart illustrates the global benzene demand, in terms of compound annual growth rate, for the periods indicated:

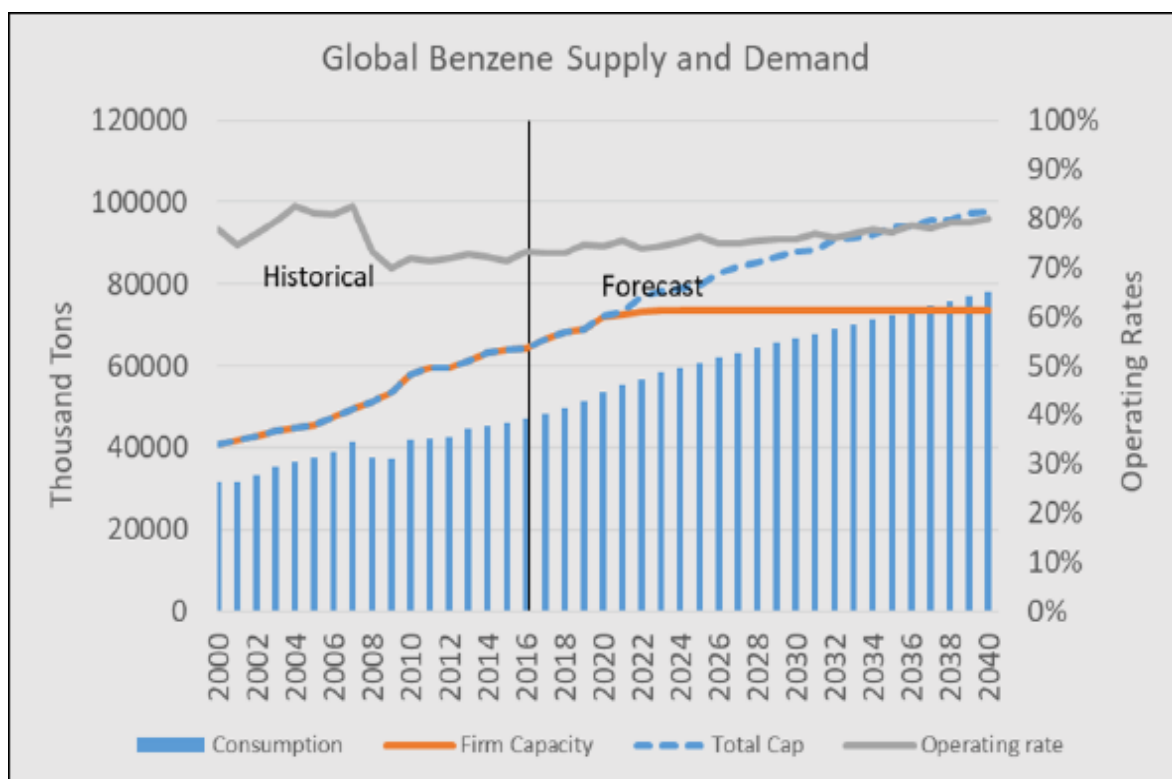


(Source: ICIS Consulting Report)

Global operating rates are expected to remain in the 70% range. Forecasts show a slight increase over the forecast period, but this is because most new benzene capacity is principally reliant on new paraxylene or ethylene capacity, not specifically to meet expected benzene demand. A number of recent smaller scale expansions, mainly in China, have been at refineries expanding their downstream activities to increase profitability and also to conform to specifications of lower aromatics content in gasoline. Given the strong growth in paraxylene demand, as well as continued growth in olefins demand, forecasts expect that there will be sufficient new aromatics capacity to meet global demand, and possibly some overcapacity in the next five to ten years if all of the refinery, paraxylene and cracker complexes are built.

(Source: ICIS Consulting Report)

The following chart illustrates the global benzene supply and demand historical and forecast trend for the periods indicated:



(Source: ICIS Consulting Report)

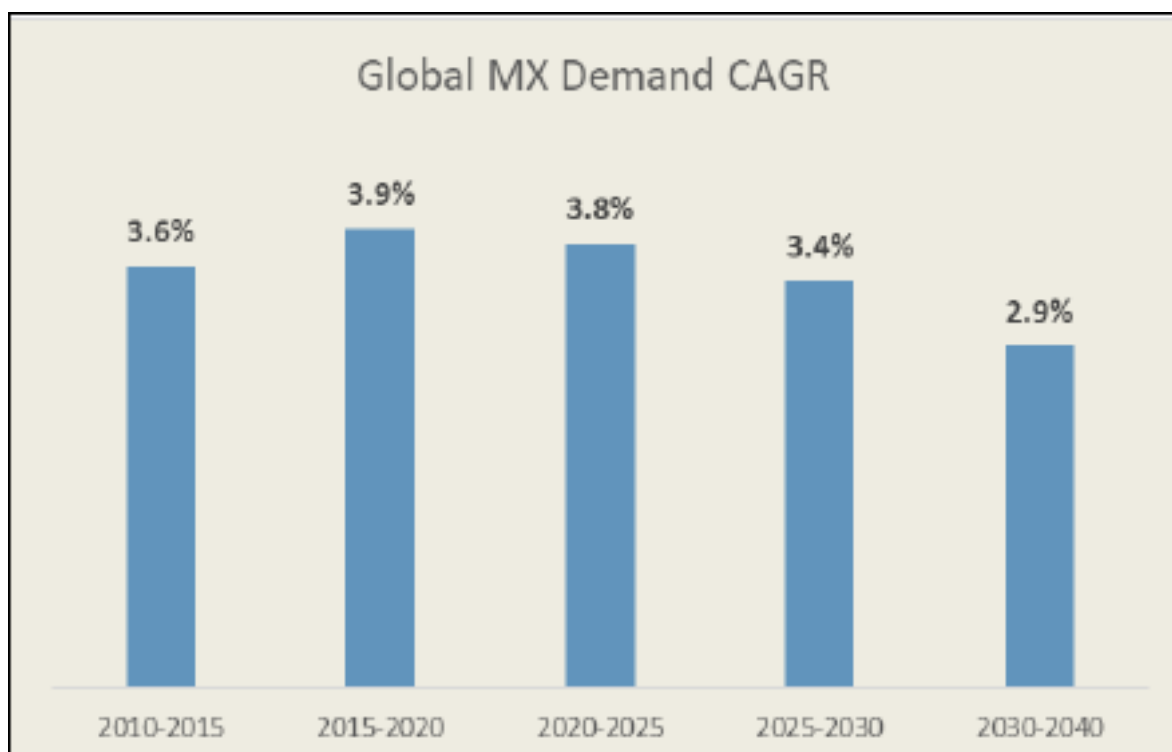
Mixed Xylene

Mixed xylenes consumption is mostly used for the production of paraxylene, with some secondary uses for orthoxylene and solvents curtailed by volatile organic compound controls in many countries. Paraxylene production accounts for around 87% of total mixed xylenes demand, with orthoxylene taking 7%. Solvent usage is estimated to account for around 4%.

Demand for mixed xylenes is forecast to increase at a CAGR of around 3.4% up to calendar year 2040 period, with growth closer to 4% per year in the period up to calendar year 2025, which is higher than projected GDP over that same time period.

(Source: ICIS Consulting Report)

The following chart illustrates the global mixed xylene demand, in terms of compound annual growth rate, for the periods indicated:

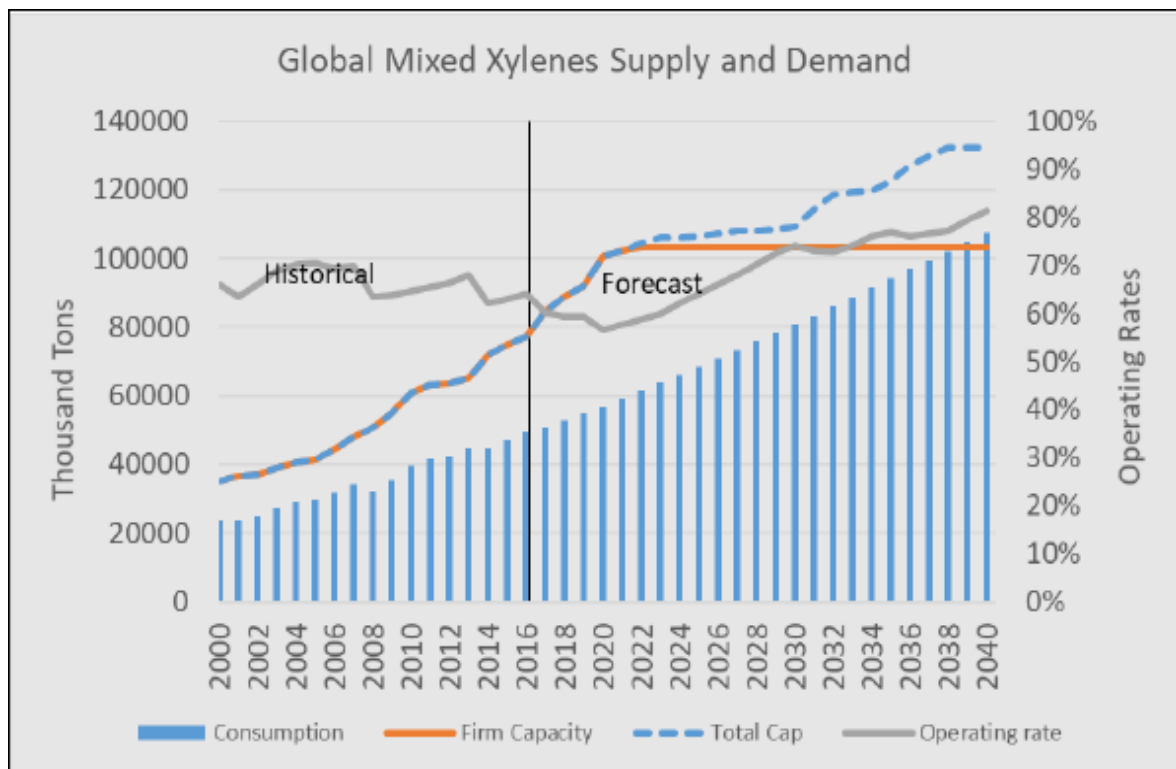


(Source: ICIS Consulting Report)

Global operating rates are expected to remain in the 60% to 70% range in the forecast period up to calendar year 2040. Forecasts show a slight decline, followed by an increase over the forecast period, but this is because there are a number of large new expansions planned, though forecasts have not accounted for any rationalization of older, smaller units which likely have low operating rates. New mixed xylenes capacity is principally reliant on new paraxylene capacity, in integrated refinery or standalone paraxylene production. Given the strong growth in paraxylene demand, expectations are that mixed xylenes capacity will be sufficient to meet global demand, and that there may be some overcapacity over the next five to ten years if all of the refinery and paraxylene complexes are built. It should also be noted that many mixed xylenes capacities are estimated as part of larger refinery and paraxylene operations.

(Source: ICIS Consulting Report)

The following chart illustrates the global mixed xylene supply and demand historical and forecast trend for the periods indicated:

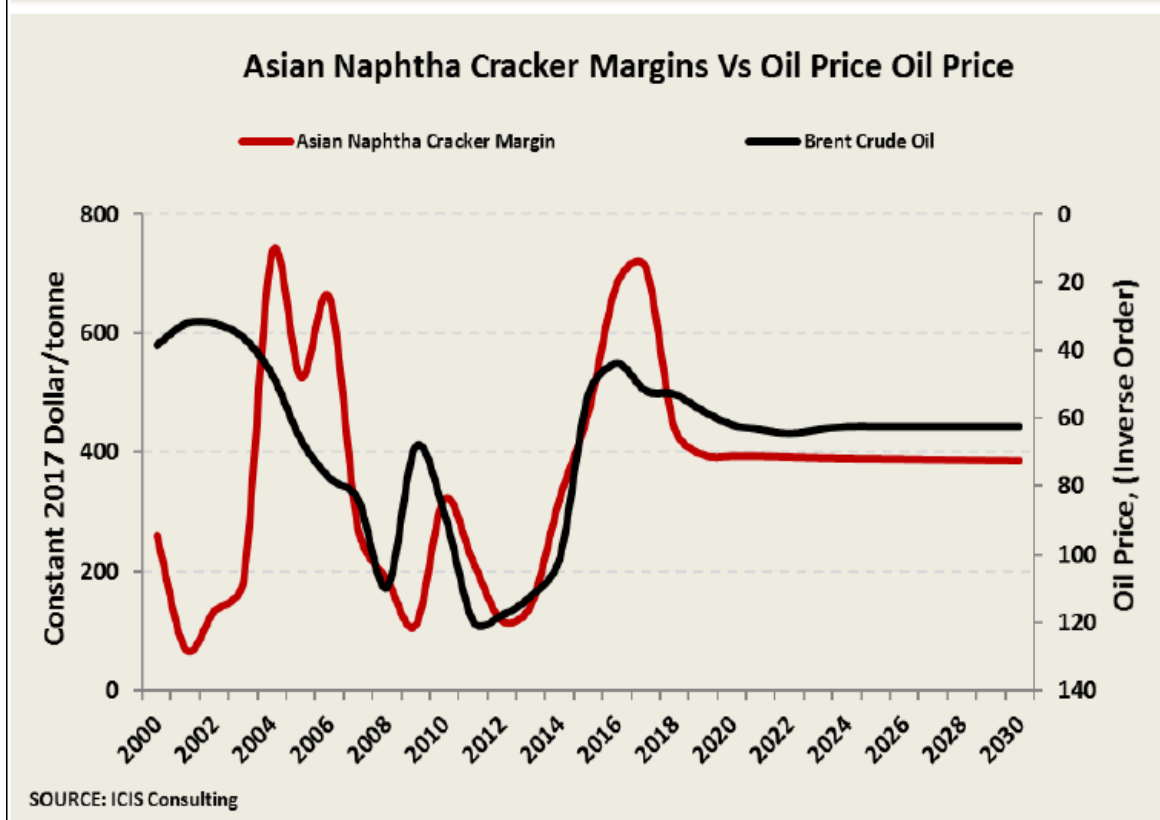
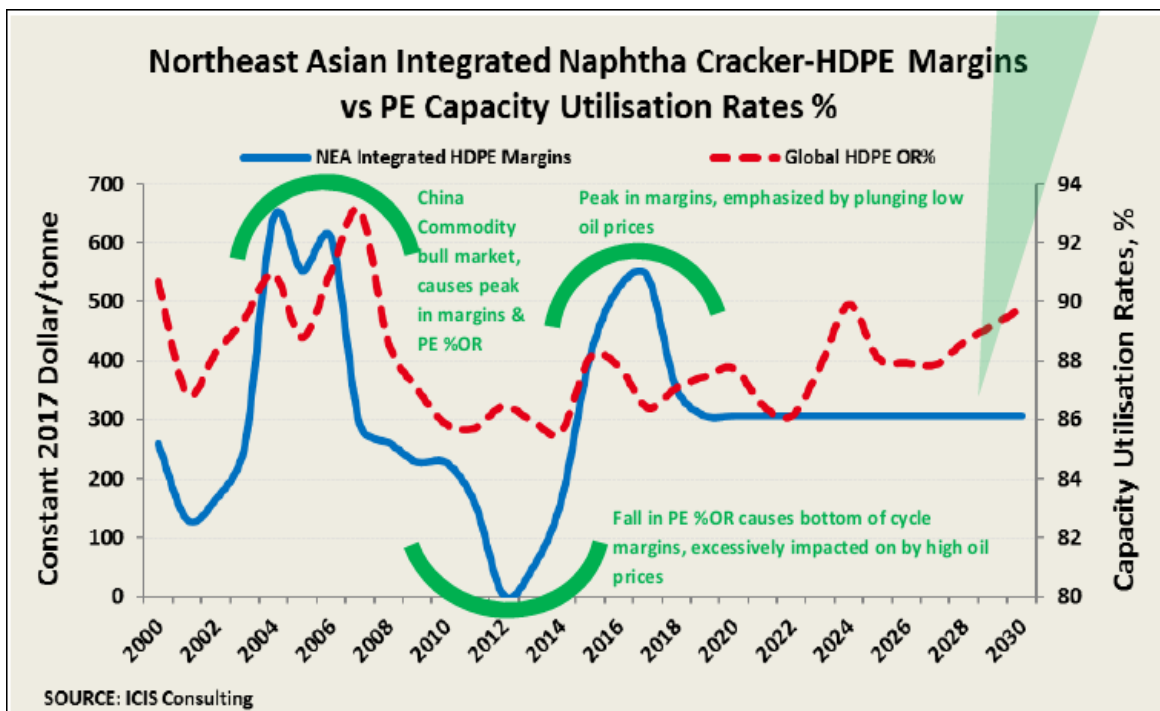


(Source: ICIS Consulting Report)

Outlook on Pricing

HDPE and LDPE

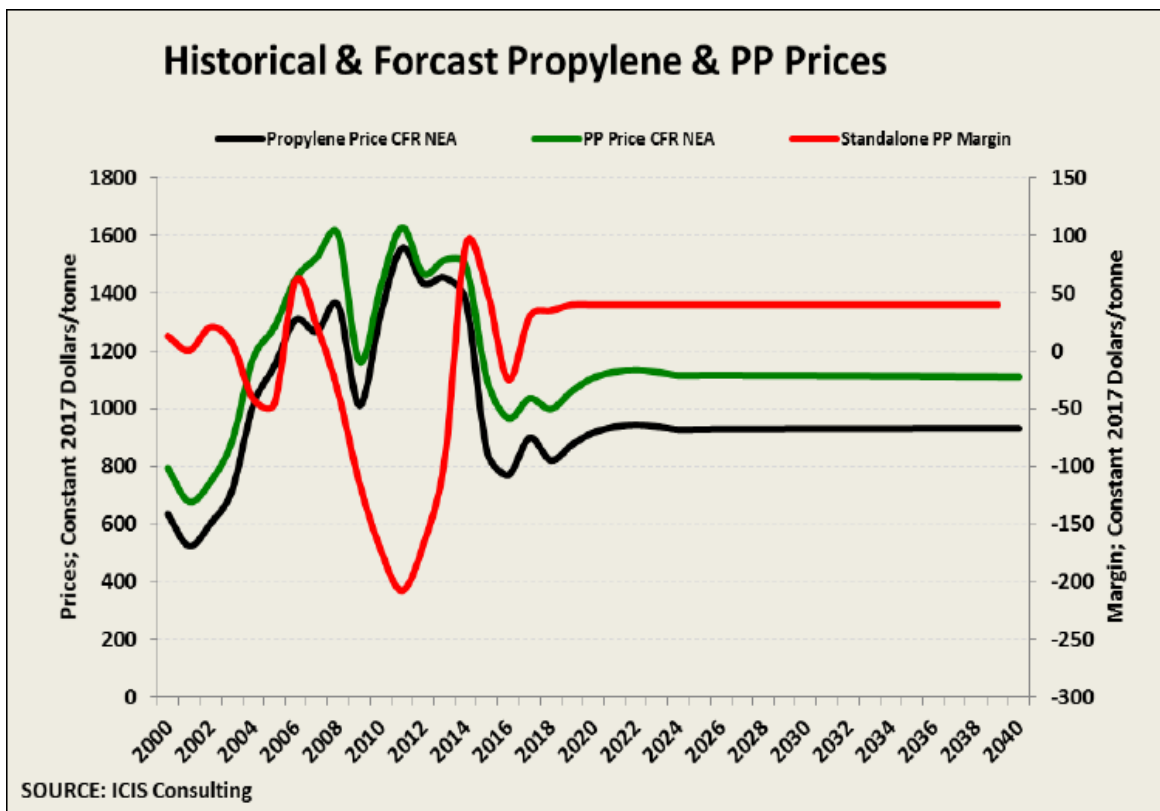
The following chart illustrates regional price outlooks for HDPE and LDPE for the periods indicated:



(Source: ICIS Consulting Report)

Polypropylene Price Outlook

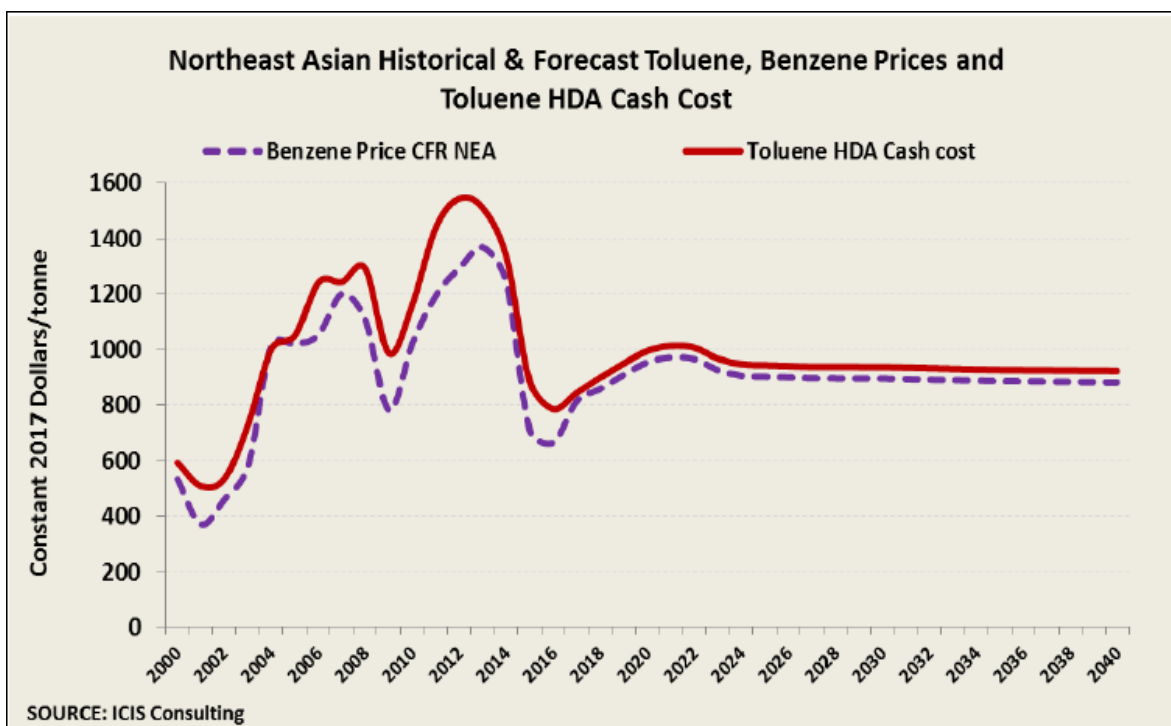
The following chart illustrates price outlooks for propylene for the periods indicated:



(Source: ICIS Consulting Report)

Benzene Price Outlook

The following chart illustrates price outlooks for benzene for the periods indicated:



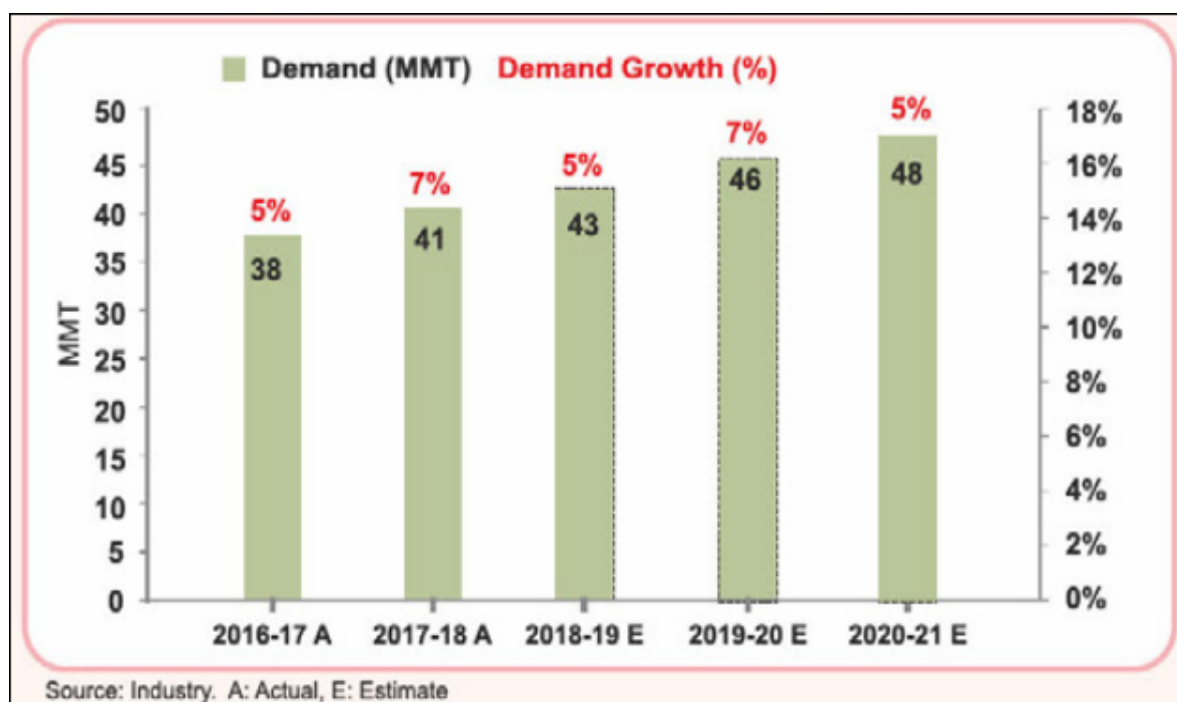
(Source: ICIS Consulting Report)

Outlook for Overall Indian Petrochemicals Industry

India's aggregated demand for petrochemicals increased by 7% from calendar year 2017 to calendar year 2018, and is forecasted to increase from 41 MMT from the calendar year 2017 to calendar year 2018 to 48 MMT in the period from calendar year 2020 to calendar year 2021, as depicted in the figure below, at an expected annual growth of 6% per year.

(Source: India Petrochemicals Report)

The following chart illustrates price outlooks for propylene for the periods indicated:



(Source: India Petrochemicals Report)

Polymers, polyolefins, surfactants and other key petrochemicals are expected to grow at 7.2%, 7.4%, 4% and between 5% to 7%, respectively, in the period from calendar year 2020 to calendar year 2021.

India's demand from the automobiles, packaging, and agriculture and infrastructure sector is expected to grow, primarily as a result of the easing of the government's monetary policy. Additionally, the plastic industry is forecast to experience exponential growth in the short term, alongside growth in end-use sectors, which are primarily as a result of the India's expected GDP growth rate of 7.5% in calendar year 2020 and onwards.

(Source: India Petrochemicals Report)

Indian Polymer Industry

The Indian polymer industry is dominated by polyolefins, representing approximately 72% of all commodity resins consumed in financial year 2018. After experiencing growth of 6.8% in financial year 2017, polymer continued to grow in India at 8.3% for financial year 2018. Domestic demand is expected to outpace domestic production.

The following table sets forth polymer demand and supply for the periods indicated:

	Financial Year			
	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾
	<i>(kilo tons, unless otherwise indicated)</i>			
Capacity	12,121	13,004	13,733	13,742
Production	10,278	12,006	13,257	13,696
Op Rate (%)	85	92	97	100
Import.....	4,285	3,959	3,935	4,331
Exports	1,058	1,727	1,857	1,585
Net Trade.....	(3,226)	(2,232)	(2,078)	(2,746)
Demand	13,455	14,140	15,336	16,447
Demand Growth (%)	8.3	5.1	8.5	7.2

(Source: India Petrochemicals Report)

Note:

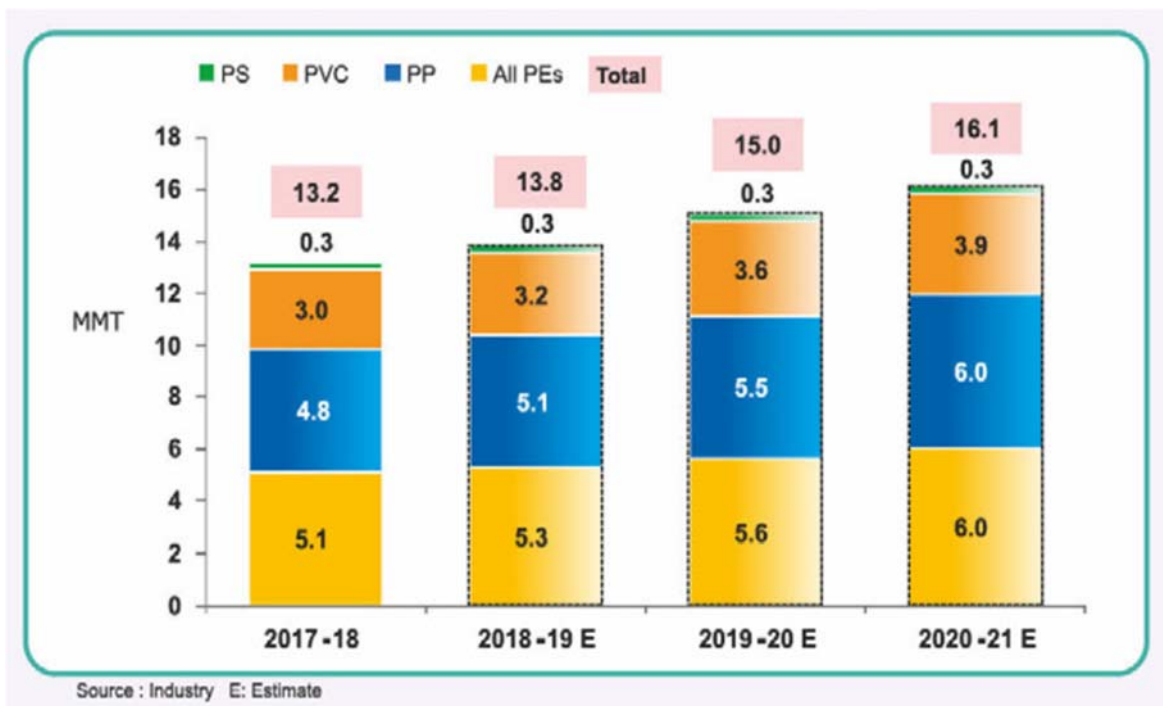
(1) Estimated figure.

Polymer import dependency remained high at 32% for financial year 2018 and is expected to decrease in the next three years to approximately 26%. Polyolefin exports were at approximately 1,058 kilo tons in financial year 2018. Polyethylene imports were 4,285 kilo tons for financial year 2015, resulting in a net trade deficit of total polymers of 3,226 kilo tons in the same period. Polyvinyl chloride imports were 1,658 kilo tons for financial year 2018.

Trade deficit is expected to decline to 2,078 kilo tons for financial year 2020 and then increase again to 2,746 kilo tons for financial year 2021. The demand for polymers is grew at 8.3% for financial year 2018 and is expected to grow by 5.1% for financial year 2019. India's petrochemical industry, like the overall economy, faces near-term challenges, but the long-term growth outlook for the industry remains positive. Capacity expansion by several other manufacturers are moving ahead.

(Source: India Petrochemicals Report)

The following chart illustrates polymer demand for the periods indicated:



(Source: India Petrochemicals Report)

Polyolefins

Polyolefins experienced robust demand growth of 11.2% in financial year 2018.

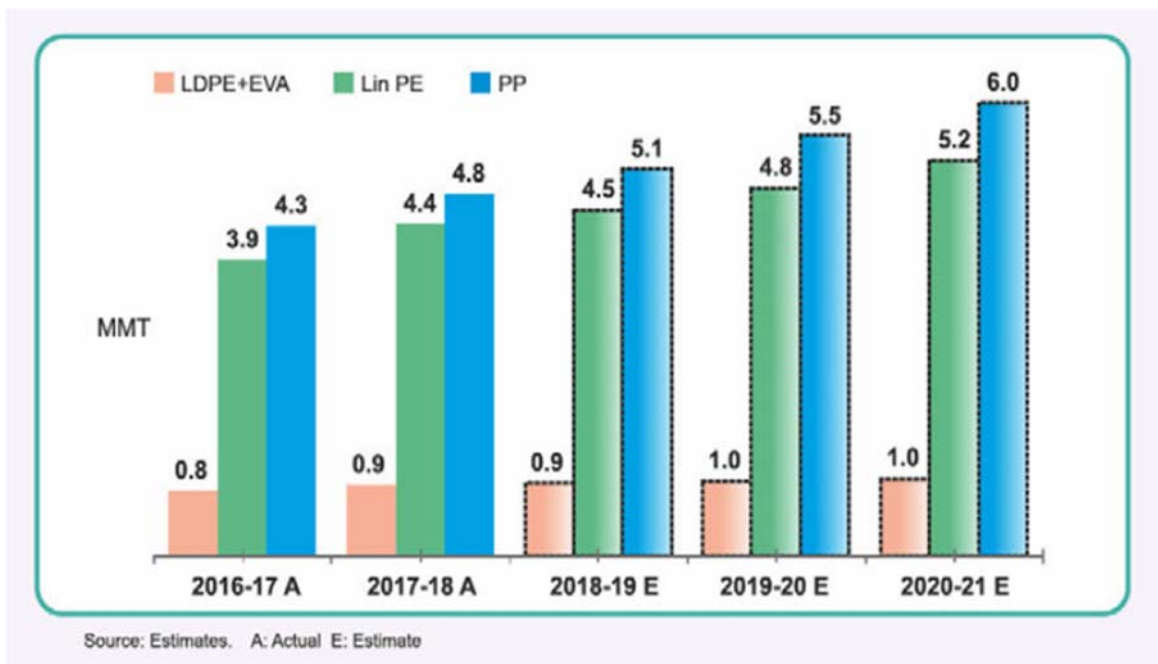
The following table sets forth actual and projected polyolefin demand in India for the periods indicated:

(KTA)	Actual			Projected			% change Y-O-Y				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2017-17	2017-18	2018-19	2019-20	2020-21
LDPE+EVA.....	821	843	921	945	977	1012	3%	9%	3%	3%	4%
LLDPE	1542	1655	1916	2105	2256	2430	7%	16%	10%	7%	8%
HDPE	2038	2239	2452	2440	2577	2770	10%	9%	0%	6%	7%
PP.....	4186	4346	4756	5082	5517	5950	4%	8%	7%	9%	8%
POLYOLEFINS	8587	9083	10044	10572	11327	12162	6%	11%	5%	7%	7%

(Source: India Petrochemicals Report)

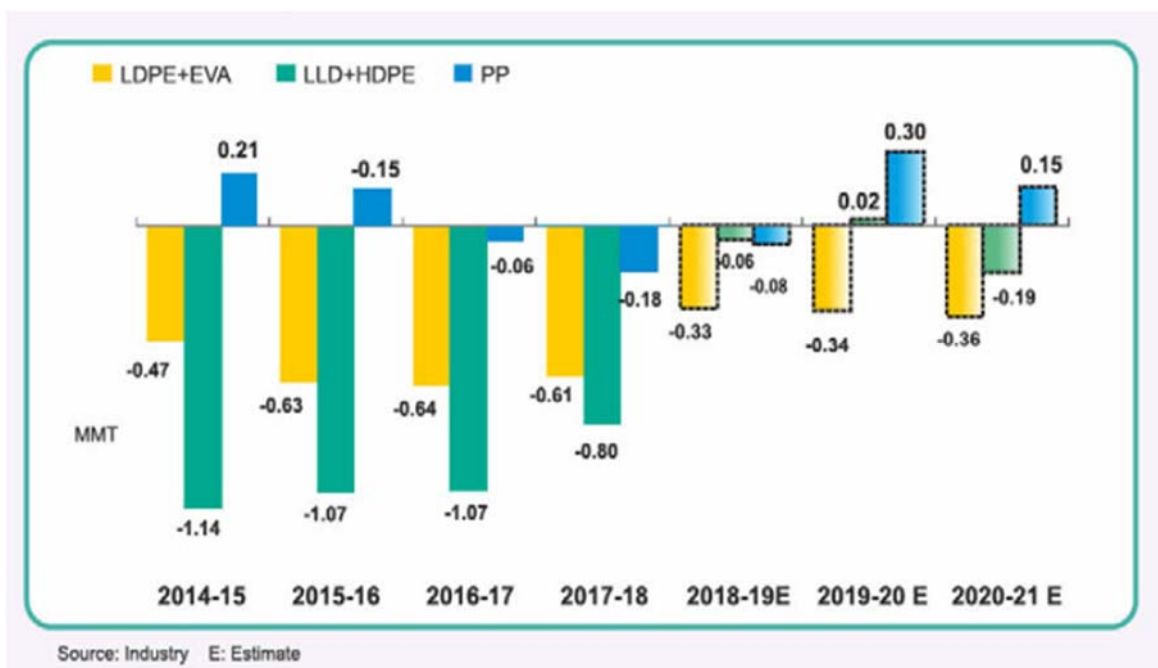
It is expected that PE will experience a modest growth of 4% over the next year, with further growth increases of 5.9% and 7.1%, in financial years 2020 and 2021, respectively. PPs registered robust growth of 9.4% in financial year 2018, and are expected to further grow to 7%, 8.6% and 7.8% in financial years 2019, 2020 and 2021, respectively. Polyolefins also registered a robust demand growth of 10.6% in financial year 2018 and is expected to grow at 5.3%, 7.1% and 7.4% in financial years 2019, 2020 and 2021, respectively.

The following chart illustrates the PE and PP demand trend for the periods indicated:



(Source: India Petrochemicals Report)

The following chart illustrates the polyolefins net trade deficit for the periods indicated:



(Source: India Petrochemicals Report)

Forward Integration: Refining to Petrochemicals

Over the next decade, oil may be the next big thing in petrochemicals. This is a change from the trend in the decade beginning on calendar year 2010, when billions of dollars flowed into the U.S. to build crackers and downstream petrochemical plants to process low-cost ethane from shale gas into ethylene and its derivatives. The driver this time is the market, rather than cheap raw material supply. Typically, only about 10% of the

output of an average refinery is chemical coproducts, and the most integrated refineries approach 20% chemicals. In a crude oil to chemicals refinery, more than 40% of the output is chemicals. Since refineries are much larger in scale relative to chemical plants, one CTC refinery can produce the equivalent of several world scale chemical plants.

Petrochemicals, which turn oil and gas into various daily products, such as plastics, fertilizers, packing clothing, digital devices, medical equipment, detergents or tires, are integral to modern societies. In addition, petrochemicals are also used for the energy system, such as being used in solar panels, wind turbine blades, batteries, thermal insulation for buildings, and electric vehicle parts. The importance of petrochemicals is increasing with the perspective of crude to chemicals.

Examples of forward integration of refining to petrochemicals are as follows:

- BPCL Kochi Refineries is expecting a 16% increase in turnover within three years with the completion of its second petrochemical complex project, which cost \$1.59 billion and is expected to manufacture polyols by calendar year 2022. BPCL Kochi Refineries is in discussions with various global companies to finalise the technology for six different products, with the technology being sourced from global companies such as Mitsubishi, Air Liquide Global and Johnson Matthey Davy (*Source: India Petrochemicals Report*);
- Reliance Industries is planning to increase its refinery capacity by 50% to over 100 million tons per year, to meet the increasing demand of refined products in India. The proposed expansion involves a brownfield project for two of its existing refineries in Jamnagar, and a new greenfield project at a cost of U.S.\$ 10 billion (*Source: India Petrochemicals Report*);
- Haldia Petrochemicals will invest over U.S.\$ 4 billion to settle a mega petrochemical complex in Odisha, which is expected to be an integrated refinery with aromatics complex for production of paraxylene and purified terephthalic acid near Subarnarekha Port in the Balasore district, with an expected capacity of 1.6 million tons per year (*Source: India Petrochemicals Report*);
- Nayara Energy is expected to invest, for the first phase, U.S.\$ 850 million to launch a petrochemical production at an oil refinery in India's Vandinar in calendar year 2022. The first phase involves the construction of new facilities that will allow production up to 450 million tons of polypropylene per year (*Source: India Petrochemicals Report*); and
- Ratnagiri Refinery & Petrochemical Limited, a joint operation by Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and HPCL, is a project with an investment of over ₹ 3 Lacs consisting of the building of a refinery-cum-petrochemical complex with a capacity of 18 million tons per year and 1.2 mb/d, in which it plans to produce Euro-VI and higher quality automotive and aviation fuels benchmarked to international standards, as well as a wide range of petrochemical products, expected to be commissioned by calendar year 2025.

OUR BUSINESS

Overview

We are a leading integrated refining and petrochemical company in India with operations that span crude oil refining, petrochemical production and marketing. We own and operate a petroleum refinery, the Guru Gobind Singh Refinery, including various ancillary facilities (our “**Refinery**”), near Bathinda, in the northern Indian state of Punjab. Our Refinery has a current crude oil processing capacity of 11.3 MMTPA and is the tenth largest individual petroleum refining complex in India, on the basis of installed capacity as of April 1 2019 (*Source: PPAC*), with a NCI of 12.6. At inception the refining capacity was 9.0 MMTPA and we started our commercial production in December 2011. Subsequently, we expanded our refining capacity to 11.3 MMTPA in the financial year 2018.

Our Refinery has been designed with an advanced configuration and has one of the highest complexities among refineries in India. Our Refinery has an installed refining capacity of approximately 225 kbpd of crude oil, as well as the flexibility to process a wide variety of very heavy, high sulphur, high TAN crude oil grades, which, we believe, enables us to manage our crude oil procurement to take advantage of price differences between different grades of crude oil in order to enhance our refining margins. Our Refinery produces high value-added liquid petroleum products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane, Bitumen and MTO, as well as solid products, such as PP (for which we set up a separate 0.44 MMTPA polypropylene unit within our Refinery complex, and pursuant to which we commenced sales of polypropylene in financial year 2013; the capacity of the unit has thereafter been expanded to approximately 0.47 MMTPA), pet coke and sulphur.

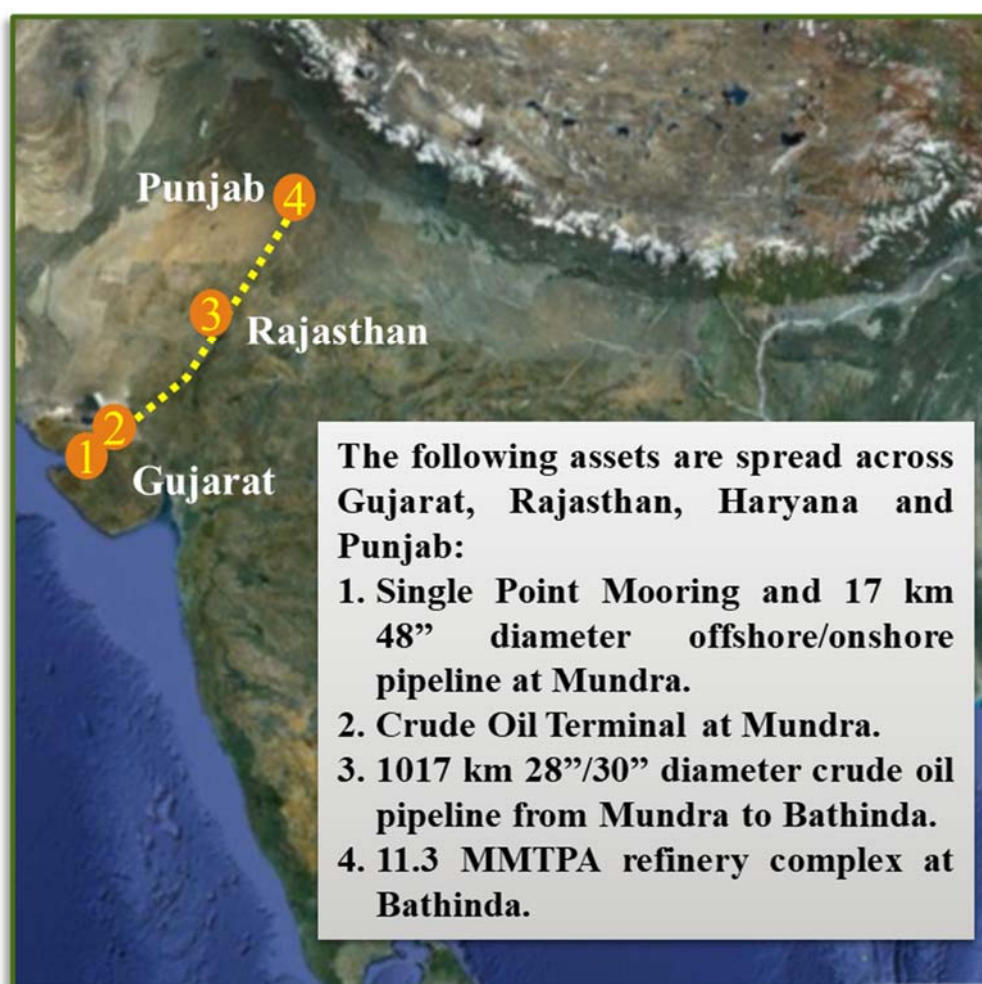
We have also constructed a COT at Mundra, Gujarat, on the west coast of India, through our Subsidiary, HMPL, to receive, store and transport crude oil to our Refinery. The COT facility includes a SPM, 14 crude oil tanks to store approximately 5.3 million barrels of crude oil, and modern blending facilities, connected to a dedicated 1,017 km Crude Oil Pipeline from the COT to our crude receipt station situated at our Refinery. The ancillary facilities at our Refinery site include a 165 MW CPP, which almost meets the entire steam and power requirements of our Refinery. We also purchase some power from the grid. The feed/fuel used in the CPP and the refinery includes pet coke, refinery gases and LCO. We believe that this end-to-end dedicated infrastructure, from the point of import of crude oil through our SPM to our COT to our Refinery and the point of dispatch of our petroleum products, which also utilizes HPCL’s distribution pipeline in addition to our Crude Oil Pipeline, enables us to mitigate our dependence on third parties by providing security of feedstock supply to our Refinery. In order to reduce our production and volume risks, we have entered into the Product Off-take Agreement with HPCL, pursuant to which HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products (except Naphtha) and Bitumen that we manufacture, until December 12, 2026. Thereafter, the Product Off-take Agreement may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Refinery subsequent to the increase in crude oil refining capacity from 9.0 MMTPA to 11.3 MMTPA. For financial year 2019 and the three months ended June 30, 2019, the volume of products sold by us to HPCL, pursuant to the Product Off-take Agreement, accounted for 81.8% and 83.4%, respectively, of total volume of our Company’s product sales. For financial year 2019 and the three months ended June 30, 2019, our Company contributed approximately 21.1% and 20.5%, respectively, of HPCL’s total sales; and our Company contributed 72.7% and 72.3%, respectively, of HPCL’s northern India sales.

Our Company was incorporated on December 13, 2000 as Guru Gobind Singh Refineries Limited by HPCL, one of the three state owned refining majors, a Forbes 2000 Company and a GoI enterprise with ‘Navratna’ (*gem*) status. Subsequently, pursuant to an agreement between HPCL and MEI, in 2007 we became a joint venture company with equal participation by HPCL and MEI, and our name was changed to HPCL-Mittal Energy Limited on December 31, 2007. ONGC holds, as of June 30, 2019, a 51.11% equity interest in HPCL.

HPCL and MEI each hold, as of June 30, 2019, a 48.99% equity interest in our Company. The remaining 2.02% equity interest is held by the following Indian financial institutions: State Bank of India, IFCI Limited and HDFC Standard Life Insurance Company Limited.

Based on the Petroleum Planning and Analysis Cell report (MoPNG), for financial year 2019, we believe that HPCL had an approximately 21% share of the petroleum products market of India amongst the public sector OMCs. Further, as of April 1, 2019, we believe that HPCL had an approximately 6% share in India's refining capacity (excluding its JV capacity). It operates two petroleum refineries in India producing a variety of petroleum fuels and specialties, one in Mumbai with a capacity of 7.5 MMTPA, and the other in Visakhapatnam with a capacity of 8.3 MMTPA. HPCL's consolidated total revenues (including excise duty) for the three months ended June 30, 2019 and financial year 2019 were ₹ 755 billion and ₹ 2,986 billion, respectively. For the three months ended June 30, 2019 and financial year 2019, we accounted for 42% of HPCL's total refining capacity in each of the periods (calculated by considering HPCL's refining capacity in Mumbai and Visakhapatnam and our Refinery) (*Source: PPAC*). MEI, the largest shareholder of the world's largest steel producing company, ArcelorMittal, is a part of the Lakshmi N. Mittal group, and some of its other affiliates hold interests in enterprises involved in oil and gas and infrastructure.

The following map illustrates the location and certain key aspects of our facilities:



(Note: Map not to scale)

Competitive Strengths

We believe our key competitive strengths include the following:

High Complexity Refinery with High Operating Efficiency

Our Refinery is currently the tenth largest individual petroleum refining complex in India, on the basis of installed capacity, as of April 1, 2019 (*Source: PPAC*). Our Refinery has the flexibility to process a wide range of crude oil grades thereby reducing our dependence on any given type of crude oil. We have a list of diversified suppliers and are registered with 80 suppliers including 20 NOCs, 10 international oil majors, 15 equity producers and 35 traders as of August 31, 2019. Our diversified supplier base ensures security of supply and gives us the flexibility to procure oil across different grades and from varying regions, enabling us to prepare an optimum crude oil basket. In addition, we select crude oil for our Refinery through specialized planning and optimization tools, including linear programming and crude assay management software and databases, as well as advanced scheduling tools, developed with assistance from various software development companies, which allow us to adjust our operations based on the available crude oil procurement, pricing information and information on changes in product demand in the markets in which our products are sold, enabling us to take advantage of price differences between different grades of crude oils, increase throughput and value addition of the types of crude oil that our Refinery processes, improve process efficiencies and enhance our refining margins. The use of such tools has helped us procure crude oil at an average price, which was lower than the Indian basket price of crude oil during the three months ended June 30, 2019 and financial years 2019, 2018 and 2017.

The table below includes our capacity utilization for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017:

2017			2018 ⁽¹⁾			2019			For the three months ended June 30, 2019		
Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)	Installed Capacity (MMTPA)	Crude Processed (MMTPA)	% Utilization (installed)
9.0	10.5	116.9	9.0/11.3	8.8	108.9	11.3	12.5	110.4	11.3	3.2	113.5

Note:

- (1) In financial year 2018, our Refinery was shut down for a total of 86 days for turnaround and for capacity enhancement from 9.0 MMTPA to 11.3 MMTPA. Accordingly, figures for this period calculated only for the operational period (shutdown period has been excluded).

We believe our product portfolio enables us to capitalize on the shortfall in refining capacity in northern India and allows us to benefit from economies of scale. We benefit from higher value-added petrochemical products instead of selling those products in their intermediate stage at lower margins to the market. For example, our delayed coker unit upgrades 70% of residue, which would have been sold as low value fuel oil, into higher-value products such as HSD, LPG and Naphtha, that deliver higher sales margins for us compared to the direct sale of fuel oil. The manufacturing of value-added products also enables us to maintain higher GRMs, and we have consistently outperformed Singapore's benchmark GRMs during normal operating cycles. For the three months ended June 30, 2019, and financial years 2019, 2018, 2017 and 2016, we reported GRMs of U.S.\$ 10.00/bbl, U.S.\$ 12.39/bbl, U.S.\$ 15.10/bbl, U.S.\$ 15.87/bbl and U.S.\$ 14.27/bbl, respectively (reported GRMs excluding inventory loss/(gain) was U.S.\$ 10.51/bbl, U.S.\$ 12.17/bbl, U.S.\$ 13.91/bbl, U.S.\$ 13.47/bbl and U.S.\$ 16.15/bbl for the three months ended June 30, 2019 and financial years 2019, 2018, 2017 and 2016, respectively). Higher margin of premium products like polypropylene, Hexane and Bitumen results in over U.S.\$ 225 million per year of additional gross margin.

We specifically chose a configuration that would enable our Refinery to convert low value residue into higher value light and middle distillates while producing the by-product, pet coke, in the process. We believe that our technologically advanced plant enables us to produce a more favorable products slate, focusing solely on the more profitable light and middle distillates, without any production of heavy oils such as fuel oil, which have lower profit margins. We also enjoy a high upgrading to refining capacity ratio (high complexity) and are able to efficiently produce quality petroleum products. Further, our approximately 0.47 MMTPA polypropylene unit, which has been setup within our Refinery complex, utilizes gas-phase process that enhances our cost-to-performance ratio.

Strategic Location of our Refinery with Competitive Advantages in Access to Key Markets

We have strategically located our Refinery inland, in proximity to what we believe to be supply-deficient target markets in northern India. The total consumption of petroleum products in northern India during financial year 2019 was approximately 57 MMTPA, which we believe to be higher than other regions in the country, compared to 190 MMTPA for India, while the three refineries in northern India have an aggregate crude throughput capacity of 34.3 MMTPA. For financial year 2019, northern India's share of consumption of petroleum products in India was about 30% of India's total consumption of petroleum products (*Source: Petroleum Planning and Analysis Cell, MoPNG*).

We believe that the strategic location of our Refinery in northern India, which has high demand, provides us with a competitive advantage over Indian and foreign refineries that are required to bear overland or other transportation costs for moving their petroleum products from other parts of the country into northern India. Moreover, our Refinery is situated in proximity to several potential key customers for our solid products, such as cement and fertilizer plants, which we believe will facilitate our sales of pet coke and sulphur. Our Refinery is also well connected for the evacuation of our petroleum products by rail, road and product pipelines to service our target markets in northern India. Further, since HPCL does not currently have an operational refinery of its own in northern India, we believe our Refinery is strategically important for HPCL's sales in the region.

In addition, our Refinery is serviced by our dedicated Crude Oil Pipeline, which provides us control over crude oil supplies by mitigating our dependence on third parties. We currently own sufficient land for purposes of our current operations as well as our expansion project. All of our current water supply requirements are met by a nearby canal network connected to the Sutlej River in Punjab.

Diverse Product Slate Catering to Marquee Customers through a Robust Distribution Network

We have diversified our product portfolio, which consists of a range of liquid and solid products and we believe that our best-in-class Refinery configuration gives us the ability to offer a superior refinery product slate, thereby improving our refining margins. Our Refinery produces high value-added liquid petroleum products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane, Bitumen and MTO, as well as solid products, such as PP, pet coke and sulphur. For details of the production volumes of each of our products, see "*Our Business — Our Refinery — Product Slate*". Thus, we derive our revenues from the sales of a variety of products, which we believe assists us in mitigating the concentration risks associated with operations in a specific product segment.

We have four regional offices in Noida, Mumbai, Hyderabad and Kolkata and seven area offices in Chandigarh, Jaipur, Kanpur, Indore, Ahmedabad, Bengaluru and Chennai. Our product distribution network consists of 17 distributors operating 32 regional warehouses across 18 states and union territories in India, which helps us serve our marquee customer base. We have an arrangement to avail a liquid terminal facility in Mundra, Gujarat to facilitate exporting of our products. Due to our comprehensive product mix and ability to leverage our existing pan-India distribution network with long established leadership, we believe we have a strong ability to market petrochemical products.

Integrated Refinery with Dedicated Infrastructure

Our Refinery operations are supported by end-to-end dedicated infrastructure, from the point of import of crude oil at our COT facility through our dedicated 1,017 km Crude Oil Pipeline, most of which has been laid underground and has a diameter of 28 to 30 inches, to our crude receipt station at our Refinery and the point of dispatch of petroleum products, as well as access to HPCL's distribution pipeline, which we believe are sufficient to meet our current operational needs. Our COT facility includes an SPM system capable of handling crude oil vessels ranging from Aframax (80,000 to 120,000 deadweight tonnage ("DWT")) tankers to very large crude carriers (200,000 to 320,000 DWT) and up to 14 crude oil tanks to store approximately 5.3 million barrels of crude oil, or approximately 23 days of our crude oil requirements at installed production capacity, with modern blending facilities that are able to accept crude oils ranging from 16 to 40 degrees on the measure for petroleum density created by the American Petroleum Institute ("API"), and blend them to fall within the blend window of our Refinery. Our blending facilities can process around 200 grades of crude oil out of a total of over 800 grades spread across 55 countries. We also have crude oil storage facilities at our Refinery site with the capacity to store approximately 1.5 million barrels of crude oil, or an additional seven days of our crude oil requirements at installed production capacity. In addition, we believe that our dedicated Crude Oil Pipeline, which can be expanded to achieve a throughput of 18.0 MMTPA with the help of additional pumping stations, provides us with a competitive advantage since the cost of transporting crude oil through a pipeline is significantly lower when compared to other modes of transportation, and helps mitigate operational risks, as well as the risk of pilferage and theft. Our crude receipt station at our Refinery has a four crude storage tanks, with an aggregate storage capacity of 240,000 kL. Our refining operations are also supported by our 165 MW CPP, which almost meets the entire power and steam requirements. We also purchase some power from the grid. The fuel used in the CPP and the refinery includes pet coke, refinery gases and LCO, which are the by-products of our Refinery, and helps to ensure uninterrupted operation of our Refinery.

We believe this dedicated and integrated infrastructure enables us to manage our costs and operations efficiently, mitigates the risk to our refining margins of fluctuations in the cost of importing and transporting crude oil feedstock, reduces our dependence on third-party service providers, and provides flexibility to maximize value across the entire value chain in a dynamic market and regulatory regime.

Industry Leading Safety Standards

We have adopted industry leading safety standards for both occupational safety (protection of people) and process safety (protection against major process incidents). We are certified to the international safety management systems standard OHSAS 18001 and are in the process of migrating to the newly introduced ISO 45001 standard. For process safety management ("PSM"), we have implemented standards in line with international best practice and have a structure of PSM element owners, power users and lead persons to help drive continuous improvement.

In 2016, we achieved a maximum five-star rating from a 10-day occupational safety audit by the British Safety Council, which also awarded us a sword of honor. In 2018, the British Safety Council launched a new process safety version of their five-star audit. In January 2019, we believe we became the first company outside of the United Kingdom to receive the maximum five-star rating in this audit.

To track and manage our performance, we extensively utilise software systems and we have leading and lagging indicator dashboards for both occupational and process safety. We also use a specialist software tool and methodology for root cause analysis and learning from incidents.

The other key element of safety is our commitment to developing a good safety culture where everyone is aware of the hazards, understands the consequences of accidents and is involved in protecting themselves and others around them. Safety culture training has been in place since we commenced operations. In 2016, we launched a comprehensive safety culture transformation initiative with the vision of creating an incident and injury free

(“IIF”) workplace. All employees and contractors are given IIF training before starting work and a comprehensive structure, involving people at all levels, is in place to drive IIF compliance. Our current IIF key focus areas are on visible leadership, high performing supervisors and effective contractor safety teams.

Since commissioning the Refinery, we have demonstrated a clear continuous improvement in terms of both injuries and process incidents. The Refinery, including refinery projects, recently achieved one year without a lost time accident (“LTA”) for the first time. On August 31, 2019, we achieved 25 million man-hours worked LTA free.

Leveraging our relationship with our Promoters

HPCL, a Forbes 2000 company and a GoI enterprise with ‘Navratna’ status, holds a 48.99% equity stake in our Company as of June 30, 2019. Based on the Petroleum Planning and Analysis Cell report (MoPNG), for financial year 2019, we believe that HPCL had an approximately 21% share of the petroleum products market of India amongst the public sector OMCs. Further, as of April 1, 2019, we believe that HPCL had an approximately 6% share in India’s refining capacity (excluding its JV capacity). Additionally, HPCL operates two petroleum refineries in India (excluding its JV refineries) producing a variety of petroleum fuels and specialties, one in Mumbai with a capacity of 7.5 MMTPA, and the other in Visakhapatnam with a capacity of 8.3 MMTPA (*Source: Petroleum Planning and Analysis Cell, MoPNG*). HPCL is reliant on our Company due to the location and integration benefits. HPCL utilizes the location advantage of our Refinery to reinforce its presence and enhance its existing market share in north and northwest India. For the three months ended June 30, 2019 and financial year 2019, we accounted for 42% of HPCL’s total refining capacity in each of the periods (calculated by considering HPCL’s total refining capacity of 27.1 MMTPA, which is made up of 7.5 MMTPA in Mumbai, 8.3 MMTPA in Visakhapatnam and 11.3 MMTPA in our Refinery) (*Source: PPAC*).

HPCL utilizes the location of our Refinery to reinforce its presence and enhance its existing market share in north and north-west India. For the three months ended June 30, 2019 and financial year 2019, the volume of products sold by us to HPCL, pursuant to the Product Off-take Agreement, accounted for 83.4% and 81.8%, respectively, of total volume of our Company’s product sales. For financial year 2019 and the three months ended June 30, 2019, our Company contributed approximately 21.1% and 20.5%, respectively, of HPCL’s total sales; and our Company contributed 72.7% and 72.3%, respectively, of HPCL’s northern India sales.

The following table details HPCL’s supply, demand and gap in the service zone predominantly in northern India:

	Financial Year		
	2020	2021	2022
Demand (MS/HSD).....	12,565	13,423	14,350
Supply (MS/HSD).....	7,694	6,714	6,961
Gap (MS/HSD)	(4,871)	(6,709)	(7,389)

Source: Petroleum Planning & Analysis Cell “Demand Projection XII and XIII Plan”

Pursuant to the Product Off-take Agreement with HPCL, HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products (except Naphtha), for a crude processing capacity of 9.0 MMTPA (subject to up to a 10% increase thereafter as mutually agreed by the parties), that we manufacture, until December 12, 2026. Thereafter, the Product Off-take Agreement may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Refinery subsequent to the increase in crude oil refining capacity from 9.0 MMTPA to 11.3

MMTPA. In accordance with the terms of the Product Off-take Agreement, our Company shall be the preferred source of supply to HPCL for the agreed products in nine northern Indian states and union territories. Among other provisions, the Product Off-take Agreement sets forth that in the event HPCL does not purchase the volume of products contractually agreed to, HPCL is required to pay our Company a certain amount of money. Amounts received by us in excess of the minimum amount set forth by the Product Off-take Agreement may be refunded to HPCL. However, our Company shall not be required to refund amounts if such refund would lead to the debt service coverage ratio (as defined therein) for the quarter to fall below a threshold of 1.15 in the mechanism as set forth in the Product Off-take Agreement. We believe the Product Off-take Agreement allows us to mitigate our off-take risk for our liquid petroleum products, enabling us to sell our liquid products at rates based on international market prices. We also receive additional benefits from our relationship with HPCL such as access to modern technology including HPCL's research and development facilities, operational know-how and best industry practices. Our employees also attend management and staff development programs organised by HPCL to develop and improve competencies with respect to operational and technical skills. The following table sets forth the quantity and value of products sold to HPCL for the periods indicated:

Period	Quantity of products sold		Value of products sold	
	(in KT)	(as a % of our total sales)	(in ₹ million)	(as a % of our total sales)
Financial year 2017	7,397	78.8	387,209	87.3
Financial year 2018	6,605	81.6	376,232	89.0
Financial year 2019	9,167	81.8	578,302	87.5
Three months ended June 30, 2019.....	2,378	83.4	143,355	88.5

Note:

(2) Above value of products sold includes taxes comprising excise duty, GST, CST and VAT as applicable.

MEI, the largest shareholder of the world's largest steel producing company, ArcelorMittal, is a part of the Lakshmi N. Mittal group and some of its other affiliates hold interests in enterprises involved in oil and gas and infrastructure. Our Company has received a total equity investment of ₹ 39.40 billion from each of HPCL and MEI.

Experienced management with project execution skills and substantial experience in the petroleum sector

Our management has significant experience in the petroleum sector and members of our senior management team have been involved in successfully managing various operations at domestic and international oil majors, including at HPCL. For example, we believe that we benefit significantly from the leadership and experience of our Chairman, Mr. Aditya Mittal who also serves as president of ArcelorMittal and group chief financial officer and chief executive officer of ArcelorMittal Europe, and Mr. Mukesh Kumar Surana, Chairman & Managing Director of HPCL, who has over 35 years of experience in the petroleum sector in India. In addition, we believe that, Mr. Prabh Das, our Managing Director and Chief Executive Officer, who previously served as Joint Secretary of the refineries division at MoPNG and was associated with companies such as Indian Oil Corporation Limited, HPCL, Mangalore Refineries and Petrochemicals Limited, Mr. Harak C. Banthia, our Chief Financial Officer, who was previously associated with companies such as Mittal Investments UK Limited, Starleigh UK Limited, ONGC Mittal Energy UK Limited, Ispat Sidex SA, Irish Ispat Limited, Lovelock & Lewes, and Mr. AS Basu, our Head of Refinery, who was previously the managing director of Chennai

Petroleum Corporation, bring to our management the benefit of their considerable management and technical experience and industry relationships.

We believe that we are able to attract a diverse talent pool which will be focussed on the growth of our business with the ability to manage the rapidly changing business environment.

Business Strategies

The key elements of our business strategy are as follows:

Actively Manage Our Crude Oil Feedstock Supply

In order to maximise the security of our crude oil feedstock supply, while enabling us to benefit from price differences between different grades of crude oils and achieve optimization based on market conditions, we seek to actively manage our crude oil feedstock requirements through a combination of term contracts and spot purchases for physical settlement.

In order to source crude oil from the spot market, we have registered with 80 suppliers including NOCs, international oil majors, equity producers and traders. We have also entered into term contracts with leading NOCs, for a majority of our annual crude oil requirement. We expect a majority of our future crude requirement will be sourced from Middle East Gulf Countries with high concentration of proven petroleum reserves to reduce freight cost and lead time as well as secured supply. We have established long-term relationships with major oil producers and suppliers, which we believe will help us to establish a consistent base load requirement for our Refinery.

Our SFSG has overall responsibility for planning, scheduling and procurement of feedstock, its transportation from source locations to our COT at Mundra and managing and monitoring price and other associated risks. Our SFSG employs in-depth industry experience and global industry practices in selecting crude oil for our Refinery through the use of world class systems including specialized planning and optimization tools including linear programming and crude assay management software and databases, as well as advanced scheduling tools, which allow us to adjust our operations based on the available crude oil procurement and pricing information and information on changes in product demand in the markets in which our products are sold, enabling us to take advantage of price differences between different grades of crude oils, increase throughput and value addition of the types of crude oil that our Refinery processes, improve process efficiencies and enhance our refining margins. We actively scout for crude grades that are difficult to process and are advantageous feedstocks.

Further, our commodity risk management desk seeks to ensure early recognition of risks faced by us on account of volatility in international crude oil prices and product margins and takes mitigating actions to stabilize our cash flows. Our risk management desk utilizes various instruments to hedge our market risks based on underlying physical exposure.

Pursue Additional Opportunities to Increase Our Value-Added Product Mix

In order to better capture market demand, increase our margins and diversify our cash flows, we are setting up a petrochemical complex to significantly enhance our polymer production capacity, adding approximately 0.20 MMTPA of capacity. The petrochemical complex will primarily produce polypropylene and polyethylene (together, “**Polyolefins**”) and is targeted to become operational in the financial year 2022. The domestic demand for Polyolefins grew at 10.6% during financial year 2018 and it is expected to register a further growth of 5.3%, 7.1% and 7.4% in financial years 2019, 2020 and 2021, respectively (*Source: CPMA Report*). We believe that this petrochemical complex project, which is expected to cost approximately U.S.\$ 3.2 billion, will assist us in mitigating the risks associated with volatility in fuel prices and improve our GRMs, since petroleum and petrochemical cycles historically have been unrelated. We also believe that our location and an assured supply

of polypropylene from our Refinery will give us the opportunity to optimize our returns by expanding into higher margin segments of the petroleum product value chain and diversifying our sources of revenue from downstream sectors, especially considering that we have a first mover advantage with multiple other refineries still in the planning phase.

We will be able to derive more value from our existing infrastructure while undertaking this petrochemical complex project since we currently have infrastructure in place, including additional land, feedstock of Naphtha and LPG streams from our Refinery for the production of value-added petrochemicals, along with electricity from our CPP. We will also be able to recover ethylene for the production of petrochemical products from the off gasses that are generated in our olefin complex. We also have an extensive network of distributors to assist us with the sales of our products. We believe that the project experience we acquired while setting up the existing capacity at our Refinery provides us with leverage that we will be able to draw from, particularly since the core team involved in executing the original project is still with us. In addition, we have gained significant operating and marketing experience and an established network through our existing polymer unit, which will be an additional benefit as we undertake future expansion projects.

Prudent Financial Management

We continue to support our operations with cost-effective sources of capital, obtained in a timely manner, while managing our debt within predefined thresholds. We have, over the years, and shall continue to, focus on reducing our cost and levels of indebtedness through a variety of initiatives. Our total outstanding indebtedness (comprising short term borrowings, long term borrowings and current maturities of long term borrowings) increased from ₹ 232,557 million as of March 31, 2019 to ₹ 254,591 million as of June 30, 2019. We have secured funding from a variety of sources including term loans from Indian banks, Indian Rupee loans from the GoP, foreign currency loans from banks, U.S. Dollar redeemable bonds and through the issuance of non-convertible debentures. We will continue to focus on optimizing our capital structure by assessing the benefits and suitability of utilizing different funding sources.

Our Awards and Certifications

- The Shield Award for “Security Project Design of The Year” in 2019;
- A five-star rating in the “Process Safety Management” Audit 2019 by the British Safety Council;
- The “Golden Peacock Award for Risk Management” 2018;
- “Petrochemical Deal of the Year-India” and “Project Sponsor of the Year-Petrochemical” awards during “The Triple-A Asia Infrastructure Awards 2018” event in Hong Kong;
- The Golden Globe Tigers Award, 2018 for Excellence and Leadership in Corporate Social Responsibility presented in relation to Community Development at Kuala Lumpur, Malaysia;
- First Prize by the Punjab State Safety Award, 2017;
- Second Prize in the national level “Cleanliness Award” 2018 by MoPNG;
- “Corporate Social Responsibility (“CSR”) Program of The Year” Award at the Petroleum Economist Awards, 2017;
- The “Golden Peacock Award for CSR”, 2016;
- The National Energy Conservation Award in 2016;
- The “Golden Peacock Award for Environment Management”, 2016;
- The Energy Performance Award for ‘Best Improvement in MBN over previous years’ in 2016;

- The “Sustainability Award for Excellence in Safety 2016” by FICCI; and
- The “Sword of Honour” by the British Safety Council in 2016.

Corporate Structure

Our organizational structure is reflected in the diagram below:



Our Refinery

Our Refinery is a grassroots petroleum refinery, situated in Bathinda in the northern Indian state of Punjab, with a current crude oil processing capacity of 11.3 MMTPA. At inception, the refinery capacity was 9.0 MMTPA. Our Refinery was commissioned in December 2011 and reached full production during financial year 2013. Subsequently, we expanded our refining capacity to 11.3 MMTPA in the financial year 2018. Our Refinery is a catalytic cracking and coking refinery with one of the highest complexities in India, utilizing fluidic catalytic conversion as our Refinery's primary conversion technology.

We have the capability to process a wide range of crude oil grades in terms of API gravity, sulphur content and TAN, which provides us the flexibility to change our product slate depending on market conditions. We procure a wide variety of crude oil grades, including very heavy crude oil, high sulphur, high TAN grades and condensates ranging from 16 to 40 degrees API gravity. Our blending facilities can process around 200 grades of crude oil out of a total of over 800 grades spread across 55 countries. Our Refinery is an energy efficient and high distillate yielding complex refinery that can produce clean fuels that is currently in the process of being upgraded to meet Bharat Stage-VI specifications. Our delayed coker unit upgrades 70% of residue, which would have been sold as low value fuel oil, into higher-value products such as HSD, LPG and Naphtha. Our Refinery and its 165 MW CPP and township are located in a total area of approximately 2,471.71 acres in Bathinda.

We have strong information technology infrastructure to support our operations and have implemented various operating systems, including a manufacturing execution system, an operator training simulator and corrosion and inspection management systems, which we believe significantly increase operational efficiencies. We have implemented various information technology systems that are critical to our operations, including for production, enterprise performance management, automation and reporting systems. We have appointed IBM to implement our enterprise performance management and reporting systems. We also use specialized planning and optimization tools, including linear programming and crude assay management software and databases, as well as advanced scheduling tools, which allow us to adjust our operations based on the available crude oil procurement and pricing information and information on changes in product demand in the markets in which our products are sold, enabling us to take advantage of price differences between different grades of crude oils, increase throughput and value addition of the types of crude oil that our Refinery processes, improve process efficiencies and enhance our refining margins.

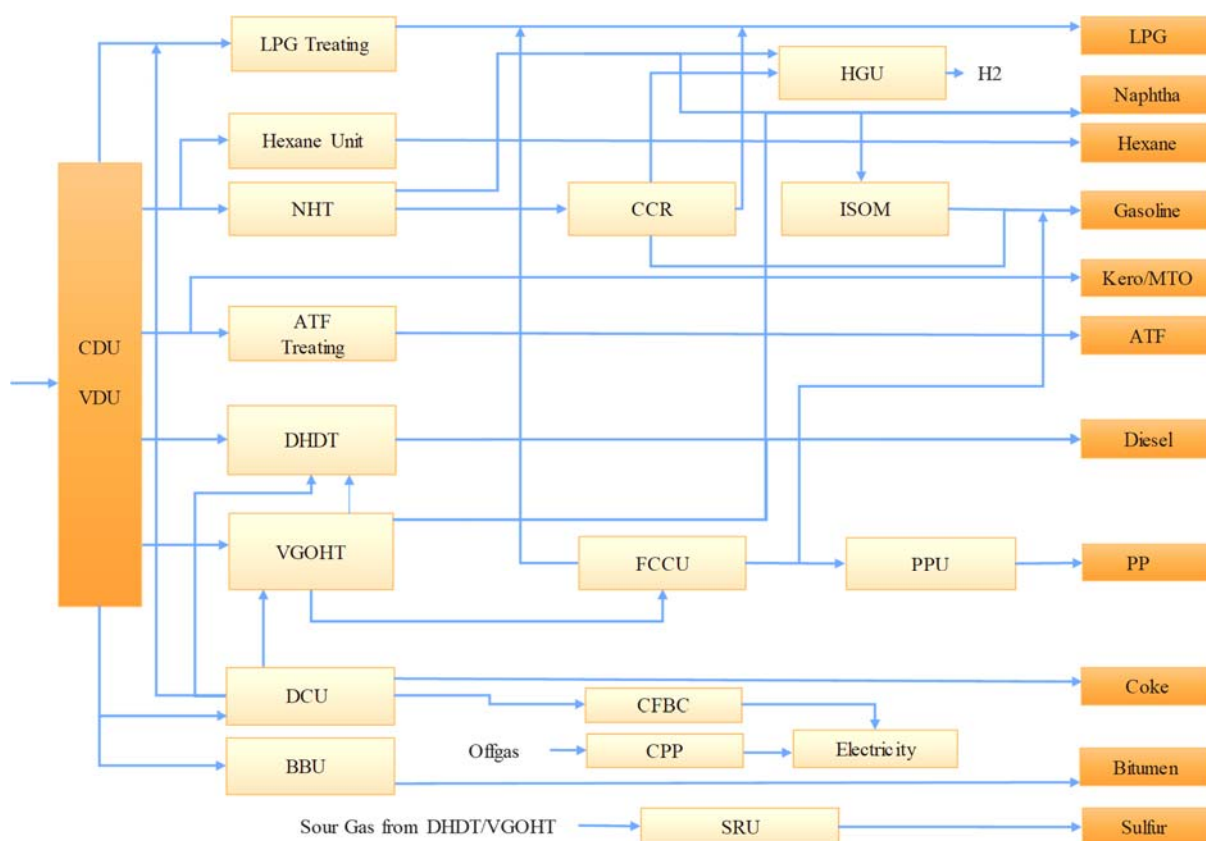
Furthermore, we believe we have strong physical security and cyber security measures in place to protect our Company. Our physical security is comprised (i) layered physical security deployment, including limited entry gates, powered fence and smart sensor controlled lights, surveillance through night vision cameras with watch towers, (ii) response systems, including quick reaction teams assisted by advanced analytics and armed guard deployment on perimeter, and (iii) proactive measures including drilled conducted with national security agencies, intelligence shared by local and national intelligence and intelligence agencies which conduct periodic audits.

Additionally, we have various cyber security measures in place. Our primary data center is located at our Refinery and we have set up a secondary disaster recovery data center in Noida, and we proactively conduct vulnerability assessments every six months internally, and every two years with one of the 'Big 4' external auditors, as well as conduct information technology general control audits periodically for statutory compliance purposes. We also utilize various firewalls, intrusion prevention systems including virus, bots and malicious command control centers, internet, email and web security gateways from top rated OEMs, and we implement network segmentation. Our information technology operations are certified against international standard ISO/IEC 27001:2013 for information security management and ISO/IEC 20000:2011 for IT service management. We also have a security operations center with automated security event and incidence monitoring solutions, which alert our IT team for possible cyber risks.

Our Refinery produces two principal categories of products: (i) liquid products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane, Bitumen and MTO; and (ii) solid products, including high value-added polypropylene, pet coke and sulphur.

Process flow and main process units

Set forth below is a schematic overview of the main process units of our Refinery:



Note:

The meanings of the acronyms from the table above are as follows:

“CDU” = Crude Distillation Unit; “VDU” = Vacuum Distillation Unit; “ATF” = Aviation Turbine Fuel; “VGO” = Vacuum Gas Oil; “HGU” = Hydrogen Generation Unit; “CCR” = Continuous Catalyst Regeneration; “FCCU” = Fluid Catalytic Cracker Unit; “CPP” = Captive Power Plant; “PRU” = Propylene Recovery Unit; “LPG” = Liquefied Petroleum Gas; “MS” = Motor Spirit; “Kero/MTO” = Kerosene or Mineral Turpentine Oil; “HSD” = High Speed Diesel; “PP” = Polypropylene; “BBU” = Bitumen Blowing Unit.

Our Refinery’s configuration includes open art process designs, which do not require licenses for their use, as well as certain licensed processes. The open art process designs including the CDU, vacuum distillation unit, sulphur recovery unit, other product treatment units, utilities and offsite facilities, were supplied by Engineers India Limited, our project management consultant. In relation to our licensed processes mentioned in the table above, certain licensors have agreed to provide us with the relevant process technologies, basic engineering designs, detailed design reviews and assistance with construction and commissioning, while for the others, we are responsible for any additional services relating to the construction and commissioning of the units.

Product slate

We believe our high complexity factor gives us the ability to offer a superior refinery product slate comprising a high percentage of light and middle distillates and LPG and a low percentage of heavies, thereby improving our refining margins. Our Refinery's configuration is designed to optimize our GRMs by processing low cost, heavier and acidic crude oils into higher value products. Our product slate for our Refinery is presented in the table below, assuming, a crude mix containing Arab Heavy and Doba crude in the ratio 90:10 is processed.

Product	Design capacity (MMTPA)	Percentage (%) of design capacity	Product category description
Polypropylene	0.5	4.1	Polypropylene is derived from the polymerization of the propylene produced in the fluid catalytic cracking unit. Polypropylene is used in a wide variety of applications including packaging, textiles, plastic parts, reusable containers and automotive components.
Light Distillates	2.6	22.8	Light Distillates includes: <i>Gasoline</i>: MS regular gasoline or premium petroleum is derived from the refining of crude oil. It is used mainly as fuel for MS-based motor vehicle engines and sold at retail outlets for direct delivery to automobiles. <i>LPG</i>: LPG is a mix of hydrocarbon gases liquefied under pressure. It is widely used as cooking fuel in India. <i>Naphtha</i>: Naphtha is a flammable distillate liquid of hydrocarbon. It is used primarily as feedstock for producing high octane MS through the catalytic conversion process. <i>Hexane</i>: Hexane is a light distillate produced from Naphtha. It is primarily used as a solvent for vegetable oils, and is also used by the pharmaceutical industry.
Middle Distillates	5.5	48.5	Middle Distillates includes: <i>Diesel</i>: HSD results from the desulphurization of sour diesel streams. It is mainly used as fuel in diesel engines. <i>Kerosene</i>: SKO is a distillate fraction of crude oil. It is used primarily in India as a domestic fuel for heating and lighting purposes. It is also used in the manufacture of insecticides, herbicides and fungicides. <i>ATF</i>: ATF is a colourless, highly combustible petroleum distillate liquid. It is used as fuel for jet engines.

Product	Design capacity (MMTPA)	Percentage (%) of design capacity	Product category description
Polypropylene	0.5	4.1	Polypropylene is derived from the polymerization of the propylene produced in the fluid catalytic cracking unit. Polypropylene is used in a wide variety of applications including packaging, textiles, plastic parts, reusable containers and automotive components.
Light Distillates	2.6	22.8	Light Distillates includes: <i>Gasoline</i>: MS regular gasoline or premium petroleum is derived from the refining of crude oil. It is used mainly as fuel for MS-based motor vehicle engines and sold at retail outlets for direct delivery to automobiles. <i>LPG</i>: LPG is a mix of hydrocarbon gases liquefied under pressure. It is widely used as cooking fuel in India. <i>Naphtha</i>: Naphtha is a flammable distillate liquid of hydrocarbon. It is used primarily as feedstock for producing high octane MS through the catalytic conversion process. <i>Hexane</i>: Hexane is a light distillate produced from Naphtha. It is primarily used as a solvent for vegetable oils, and is also used by the pharmaceutical industry. <i>MTO</i>: MTO is manufactured from the lighter fractions of the kerosene streams in our Refinery. MTO is widely used as raw material for manufacturing paints and varnishes, and is also used for industrial cleaning purposes.

Product	Design capacity (MMTPA)	Percentage (%) of design capacity	Product category description
Polypropylene	0.5	4.1	Polypropylene is derived from the polymerization of the propylene produced in the fluid catalytic cracking unit. Polypropylene is used in a wide variety of applications including packaging, textiles, plastic parts, reusable containers and automotive components.
Light Distillates	2.6	22.8	Light Distillates includes: <i>Gasoline:</i> MS regular gasoline or premium petroleum is derived from the refining of crude oil. It is used mainly as fuel for MS-based motor vehicle engines and sold at retail outlets for direct delivery to automobiles. <i>LPG:</i> LPG is a mix of hydrocarbon gases liquefied under pressure. It is widely used as cooking fuel in India. <i>Naphtha:</i> Naphtha is a flammable distillate liquid of hydrocarbon. It is used primarily as feedstock for producing high octane MS through the catalytic conversion process. <i>Hexane:</i> Hexane is a light distillate produced from Naphtha. It is primarily used as a solvent for vegetable oils, and is also used by the pharmaceutical industry.
Heavy Distillates	1.3	11.6	Heavy Distillates includes: <i>Sulphur:</i> Our Refinery's sulphur recovery unit can produce sulphur in powder and lump form. Sulphur is primarily used in the manufacture of sulphuric acid and fertilizers. <i>Pet coke:</i> Our Refinery's delayed coker unit produces high sulphur pet coke which is the carbon based solid residue remaining after the distillation of petroleum materials. Pet coke has a higher calorific content than coal, and is used as an alternative in power plants, cement kilns and blast furnaces. <i>Bitumen:</i> Bitumen is manufactured by the air blowing process of vacuum residue. Bitumen is used for road pavements.
<i>Fuel Loss</i>	1.5	12.9	
Total products⁽¹⁾	11.3	100.0	

Note:

(1) Numbers may not add due to rounding.

The following table sets out our production volume, by product category, for the periods indicated:

Product, KT	Financial Year					
	2016-17		2017-18		2018-19	
	in KTPA	(% of total product)	in KTPA	(% of total product)	in KTPA	(% of total product)
Polypropylene	413	4.3	319	4.0	501	4.5
Light Distillates ⁽¹⁾	2,576	27.1	2,189	27.6	3,143	28.1
Middle Distillates ⁽²⁾	5,222	54.9	4,353	54.8	6,043	54.0
Heavy Distillates ⁽³⁾	1,297	13.6	1,081	13.6	1,507	13.5
Total products⁽⁴⁾	9,508	100	7,941	100	11,194	100
Intermediate Products	(18)		15		59	

Notes:

- (1) Light Distillates include gasoline, Naphtha, LPG and Hexane.
- (2) Middle Distillates include diesel, kerosene, ATF and MTO.
- (3) Heavy Distillates include sulphur, pet coke and Bitumen.
- (4) Excludes intermediate products (products which are not finished and are instead consumed within the Refinery).

The following table sets out our production volume, by product, for the periods indicated:

	Financial Year			
	11.3 MMTPA	2017	2018 ⁽¹⁾	2019
Solid Products				
Polypropylene	0.47	0.41	0.32	0.50
Coke	0.60	1.07	0.88	1.01
Sulphur	0.21	0.23	0.19	0.26
Liquid Products				
LPG	0.81	0.81	0.67	0.89
Bitumen	0.50	0.00	0.01	0.24
Naphtha	0.24	0.09	0.03	0.18
MS	1.53	1.67	1.47	2.05
SKO	0.20	0.29	0.22	0.22
ATF	0.30	0.20	0.17	0.30
HSD	4.96	4.72	3.94	5.48
Fuel & Loss	1.46	1.12	0.95	1.33

Notes:

- (5) In financial year 2018, our Refinery was shut down for a total of 86 days for turnaround and for capacity enhancement from 9.0 MMTPA to 11.3 MMTPA.

Our Refinery requires up to 20.0 million gallons of water per day, which is sourced from a nearby canal network connected to the Sutlej River in Punjab.

Commercial Operations

Our Refinery was commissioned in December 2011. The secondary units were completed in a phased manner thereafter and our Refinery reached full production during financial year 2013.

Procurement of crude oil and other feedstock

In order to maintain a regular supply of crude oil feedstock, while enabling us to benefit from price differences between different grades of crude oils, in particular between heavy-sour and light-sweet crude oils, we seek to actively manage our crude oil feedstock requirements through a combination of term contracts and spot purchases for physical settlement, where the quantity of crude oil purchased by us is pre-determined and deliverable against a price to be set at the prevailing market price of a later date.

In order to source crude oil from the spot market, we have registered with over 80 crude oil suppliers. We have also entered into term contracts with certain NOCs, including the Saudi Arabian Oil Company (Saudi Arabia), State Oil Marketing Organisation (Iraq), PMI (Mexico) and Kuwait Petroleum Corporation (Kuwait) for a period of one year and in the case of Saudi Arabian Oil Company (Saudi Arabia) and Kuwait Petroleum Corporation (Kuwait), with a provision for automatic renewal for further one-year periods. Our current term contracts cover approximately 77% of the full throughput of our Refinery and have flexibility to cover higher volumes for our Refinery considering a throughput of approximately 225 kbpd. We have established long-term relationships with other major oil producers and suppliers, which we believe will help us to establish a consistent base load requirement for our Refinery.

Our COT includes 14 crude oil tanks to store approximately 5.3 million barrels of crude oil, or approximately 23 days of our crude oil requirements at full production capacity, as well as blending facilities that are able to accept crude oils ranging from 16 to 40 degrees API gravity and blend them to fall within the blend window of our Refinery, which is between an average of 26 to 32 degrees API gravity, enabling us to intake and process more efficiently a wide variety of very heavy, high sulphur, high TAN crude oil grades from across the world. Our blending facilities can process around 200 grades of crude oil out of a total of over 800 grades spread across 55 countries. Our Refinery is connected by an approximately 1,017 km dedicated Crude Oil Pipeline to the COT at Mundra, Gujarat, which is operated by our Subsidiary, HMPL. We also have crude oil storage facilities at our Refinery site, with the capacity to store approximately 1.5 million barrels of crude oil, or an additional seven days of our crude oil requirements at full production capacity.

Our SFSG has overall responsibility for planning, scheduling and procurement of feedstock, its transportation from source locations to the Mundra terminal and managing and monitoring price and other associated risks. Our SFSG employs in-depth industry experience and global industry practices in selecting crude oil for our Refinery through the use of specialized planning and optimization tools, including linear programming and crude assay management software and databases, as well as advanced scheduling tools, which allow us to adjust our operations based on the available crude oil procurement and pricing information and information on changes in product demand in the markets in which our products are sold, enabling us to take advantage of price differences between different grades of crude oils, increase throughput and value addition of the types of crude oil that our Refinery processes, improve process efficiencies and enhance our refining margins. Our SFSG also actively manages and develops strategies with respect to the risks associated with our exposure to commodity prices that we are not able to transfer to customers or otherwise neutralize in order to reduce the impact of commodity price volatility on our profitability. SFSG is also entrusted with the responsibility of exporting surplus Naphtha produced at our Refinery.

Our CRM desk seeks to ensure early recognition of risks faced by us on account of volatility in international crude oil prices and product margins and takes mitigating actions to stabilize our cash flows. Our CRM desk has adopted risk management policies, which elaborate the market risks, which we face, and the governing

mechanisms for addressing such risks. In line with international best practices, our risk management activities are carried out in a structured way, complying with statutory requirements.

Our CRM desk recognizes and reports major price risks and utilizes various instruments to hedge our market risks based on underlying physical exposure. The various instruments that we use for hedging include swaps, basis swaps, futures and options. Our front office traders are our face to the market and execute deals in line with approved strategies and mandates. Our middle office and back office monitor the performances of hedges and keep our senior management abreast of market price trends and developments through various risk reports. We have implemented a trade capture and risk management software to ensure that details of the trade and their settlement are recorded in a timely manner. Our back office settles trades, sends out the confirmation to counterparties and coordinates negotiations with the International Swaps and Derivatives Association.

In addition to the procurement of crude oil, our Refinery also uses catalysts and other chemicals for various production purposes.

Single Point Mooring

The SPM system of HMPL, our wholly-owned Subsidiary, is located approximately 10 km from the shore in the Gulf of Kutch in Mundra Port, Gujarat. The system is capable of handling VLCCs which has a capacity of 320,000 DWT. It has been designed for 30 years of service life and in accordance with American Bureau of Shipping rules and regulations.

HMPL has installed the Catenary Anchor Leg Mooring (“**CALM**”) system for our SPM facilities, which primarily consists of the CALM buoy, anchoring system, mooring system, fluid transfer system, floating hose strings, under buoy hose strings, pipeline end manifold (“**PLEM**”) and certain other components which all feature modern telemetry and remote monitoring systems.

The crude oil that is received at the SPM system is transferred to the COT through offshore and onshore pipelines. Our offshore pipeline, which is approximately 10 km long with a diameter of 48 inches, connects the PLEM to the land fall point (“**LFP**”). The offshore pipeline carries crude oil from the PLEM to the LFP, which is the first point on the land. The onshore pipeline then carries the crude from LFP to the COT. The onshore pipeline is also approximately 48 inches in diameter and approximately 6.25 km in length.

COT and Pumping System

An onshore COT has been set up at Mundra on 232.65 acres of land, owned by HMPL, in the western Indian State of Gujarat to receive and store crude oil from the HMPL SPM system. From there, it is then pumped to the crude receipt station at our Refinery through a cross-country Crude Oil Pipeline system.

COT has 14 floating roof crude oil tanks, each containing a 60,000 kL safe filling capacity to store approximately 5.3 million barrels of crude oil, with six crude oil blending pumps with a capacity of 150.0 kL per hour each, four booster pumps each with a capacity of 500.0 kL per hour, raw water system, fire water system and effluent treatment plant.

Crude oil from the crude oil tanks is transferred through a network of transfer pipelines in blended form as per requirement of refinery into the cross-country Crude Oil Pipeline system which has a chain of high capacity mainline pumping and boosting stations at four locations, which transports the crude oil to our Refinery at a pressure of approximately 93.0 kilograms per square centimetre. Our COT has the capacity to store approximately 1.07 times India’s daily oil demand.

Our Company has entered into a Sub-Concession Agreement dated May 31, 2002, which was amended and restated on April 21, 2011, to include HMPL as a party with APSEZL. Under the Sub-Concession Agreement, APSEZL has granted the sub-concession to HMPL to develop, finance, design, construct, own, operate and maintain the COT and its associated facilities at Mundra port in Gujarat. The consideration payment is a monthly terminal royalty calculated on the basis of per ton actual crude oil cargo throughput handled at the

SPM, as well as charges for various services for handling vessels (such as port dues, berth hire charges, anchorage charges, port craft hire and pilotage charges, and pollution control cess) at the SPM as per port tariffs/marine services charges specified from time to time, and payment for utilities such as power and water on the basis of actual consumption, which is valid until February 16, 2031. Further, APSEZL and our Company have entered into a separate sub-lease and possession agreement dated May 31, 2002 for the lease of the required land for setting up the COT and associated facilities, at our own cost.

Crude Oil Pipeline

Our crude pipeline infrastructure, which is owned and operated by our wholly-owned Subsidiary HMPL, comprises the crude oil pipeline and intermediate pumping stations for pumping crude oil from the COT in Mundra to our Refinery in Bathinda. Our Mundra Bathinda Crude Oil Cross Country Pipeline (“**Crude Oil Pipeline**”) has a length of 1,017 km and is between 28 and 30 inches in diameter, most of which has been laid underground and passes through the four states of Gujarat, Rajasthan, Haryana and Punjab. The entire right of user (“**RoU**”) in land for laying the pipeline has been acquired by HMPL as per the provisions of the Petroleum & Mineral Pipelines Act 1962, as amended. The pipeline currently has a capacity of 11.3 MMTPA, which is expandable to 18.0 MMTPA. The intermediate pump stations are located on the land owned by HMPL, which are approximately five hectares, in Juna Raviyana, District Banaskantha, Gujarat; Jud, District Jodhpur, Rajasthan; Dhansa, District Jalore, Rajasthan; and Phllokari, District Bathinda, Punjab, where the Crude Oil Pipeline terminates, inside the Refinery. It has monitoring systems and automatic isolation walls to minimize the risk of loss in the case of leakages.

Captive Power Plant

Our Refinery currently has an average electrical demand of approximately up to 140 MW. We have set up a 165 MW CPP at our Refinery with a steam generating capacity of approximately 1,800 tonnes per hour and have outsourced its operations. The CPP meets the entire power and steam requirements of our Refinery. The CPP consists of four utility boilers, two circulating fluidized bed combustion boilers, two heat recovery steam generators, one back pressure steam turbine generator, two extraction cum condensing steam turbine generators and two gas turbine generators. The fuel used in the CPP and our Refinery includes pet coke and refinery gases, which are by-products of our Refinery, and LCO.

Township

We have set up a township for our employees close to our Refinery, comprising approximately 735 flats and villas, along with a hostel with 96 rooms and suites. The self-reliant township sprawls over an area of 192.46 acres. The township is equipped with facilities such as a shopping centre, canteen, swimming pool and outdoor sports facilities. There is a fully operational clubhouse, which has amenities such as a gymnasium, indoor games facilities, restaurant, banquet hall and a reading room. We have also set up a medical centre at our township to provide our employees access to medical facilities and have provided transport facilities between our township and Refinery. We have also set up a school for the children of our employees at our township.

Maintenance

Our operating units require regular maintenance, repair and upgrade shutdowns (referred to as “turnarounds”), during which times such units may not be operational. Turnaround cycles vary for different units. We seek to manage the turnarounds such that some units continue to operate while others are down for scheduled maintenance. Refinery personnel as well as additional contract labor carry out maintenance turnarounds. Turnaround work proceeds on a continuous 24-hour basis to minimize unit downtime. During the past three financial years, our Company has undertaken several initiatives for quality and yield improvements and the enhancement of throughput capacity. The Refinery was shut down for a total of 86 days during financial year 2018 for turnaround and capacity enhancement from 9.0 MMTPA to 11.3 MMTPA. Additionally, beginning on August 29, 2019, certain process units at the Refinery were temporarily

slowed down or shut down at various points in time to upgrade the HGU to facilitate production of Bharat Stage (“BS”) VI MS and HSD, and to perform maintenance on some units to improve operational efficiency. Since September 13, 2019, production has been progressively ramping up. Further, we propose to have a planned shutdown of our Refinery lasting approximately 35 days during September and October of calendar year 2020 for turnaround maintenance.

Petrochemical Complex

In order to better capture market demand, increase our margins and diversify our cash flows, we are setting up a petrochemical complex to significantly enhance our polymer production capacity. The petrochemical complex will primarily produce Polyolefins and is targeted to become operational in financial year 2022.

The production profile once the petrochemical complex is complete is expected to be as follows:

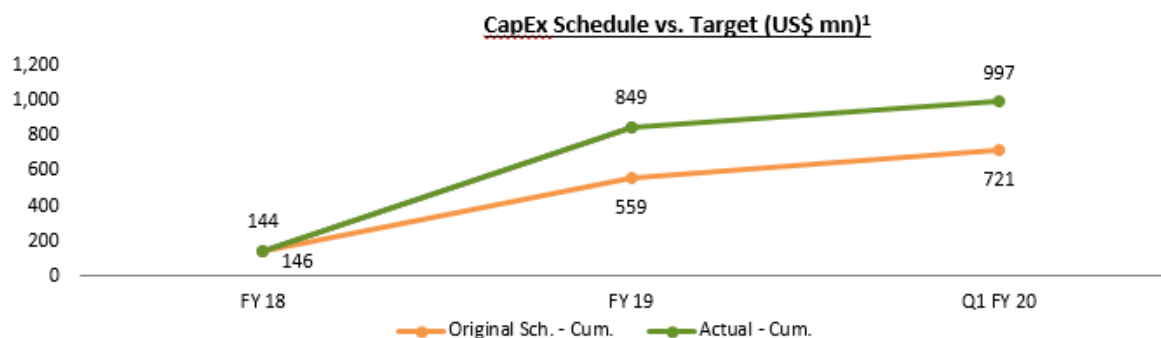
Product	Quantity (MMTPA)
HDPE/ LLDPE	1.2
PP.....	0.9
Light Distillates ⁽¹⁾	1.6
Middle Distillates ⁽²⁾	4.5
Heavy Distillates ⁽³⁾	1.3
Benzene.....	0.2
Fuel & Loss.....	1.7

Notes:

- (1) Light Distillates include gasoline, Naphtha, LPG and Hexane.
- (2) Middle Distillates include diesel, kerosene, ATF and MTO.
- (3) Heavy Distillates include sulphur, pet coke and Bitumen.

As of August 30, 2019, the overall progress of the project was at a 70.2% completion rate, in line with the targeted completion rate of 70.2%. We have a history of completing projects ahead of time and within the planned costs – currently, 33% of the project cost has already been incurred with commitments in place for 86% of the approved cost (which includes placing firm orders with vendors at specific costs), and the petrochemical complex project completion status is one year ahead of the original timeline.

The following chart illustrates our actual capital expenditures against our budgeted expenditures for the periods indicated:



We believe that this expansion project will assist us to forward integrate our product offerings to provide for value-added products, and reduce our exposure to a single commodity cycle and volatility in fuel prices.

Sales and Marketing

Product Off-take Agreement

Our Refinery produces petroleum and petrochemical products, including liquid products, such as HSD, MS, LPG, SKO, ATF, Naphtha, Hexane and MTO, and solid products, such as polypropylene, and the by-products, pet coke and sulphur. Under the Product Off-take Agreement, HPCL has an obligation to purchase all liquid petroleum products (except Naphtha) that we manufacture. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Refinery subsequent to the increase in crude oil refining capacity from 9.0 MMTPA to 11.3 MMTPA. The Product Off-take Agreement is valid for an initial period of 15 years until December 12, 2026 and may be extended by mutual agreement for two five-year terms. HPCL has also agreed that the Product Off-take Agreement will cover the additional volume produced in our Refinery subsequent to the increase in crude oil refining capacity from 9.0 MMTPA to 11.3 MMTPA. Pursuant to the Product Off-take Agreement, HPCL has agreed to preferentially source the abovementioned products from us for supply in the northern part of India, comprising the regions of Jammu & Kashmir, Haryana, Himachal Pradesh, Uttarakhand, Punjab, Rajasthan, Uttar Pradesh Delhi and Chandigarh. HPCL has agreed to purchase and receive the abovementioned products. The quantities of individual products are required to be mutually determined by the parties, subject to falling within the individual product range set out in the Product Off-take Agreement, not less than 120 days before the commencement of the relevant contract year. The solid products produced by our Refinery are not subject to the Product Off-take Agreement, and we market and distribute these products ourselves. For details of the volume and value of products sold to HPCL pursuant to the Product Off-take Agreement, see “*Our Business — Competitive Strengths — Leveraging our relationship with our Promoters*”.

The pricing of the products under the Product Off-take Agreement is twofold. Prices of products other than Hexane and MTO are based on prevalent oil industry practice (presently on trade parity pricing for MS and HSD and import parity pricing for other products) as specified in the Product Off-take Agreement and the operating procedures manual agreed between the parties. In terms of the Product Off-take Agreement the price of Hexane and MTO are mutually agreed upon between HPCL and us from time to time. Further, among other provisions, the Product Off-take Agreement sets forth that in the event HPCL does not purchase the volume of products contractually agreed to, HPCL is required to pay us an amount, which is the lesser of (i) payments based on GRMs on the shortfall in the minimum quantity of products to be purchased, to be calculated in a manner set forth therein, or (ii) payments for the shortfall in the minimum quantity of products to be purchased calculated in a manner to ensure that the debt service coverage ratio (as defined therein) for the relevant year is 1.0; provided that the minimum amount payable will be equal to ₹ 500 per kL to be calculated on the shortfall in the minimum quantity of products to be purchased.

Further, amounts received in excess of the minimum amount set forth above may be refunded to HPCL. However, we are not required to refund amounts if such refund would lead to the debt service coverage ratio (as defined therein) for the quarter to fall below a threshold of 1.15 in the mechanism as set forth in the Product Off-take Agreement.

Import parity price (“IPP”). IPP for a petroleum product is generally intended to reflect the notional price that an Indian importer would have to pay to import the product from the Arab Gulf to a particular geographic region of India and is calculated as:

- The FOB Arab Gulf price of petroleum products, adjusted for quality premia and discounts, in each case derived from quoted sources; plus

- The cost of ocean freight from mid-port in the Arab Gulf to the nearest Indian port of the purchaser, converted to Indian Rupees; plus
- Import charges such as insurance, customs duty, ocean loss, letters of credit charges, wharfage and port charges.

If the particular geographic region is inland, then the IPP will reflect the additional costs of transporting the product from the relevant port to the inland location. These inland freight costs may reflect several different modes of transport. With respect to products priced under IPP, we expect that our Crude Oil Pipeline will provide us with a competitive and margin advantage over Indian coastal refineries and international refineries that are required to bear overland or other transportation costs for their crude oil feedstock or petroleum products.

Export Parity Price (“EPP”). EPP for a petroleum product is generally intended to reflect the notional price that an Indian exporter would realize by importing crude oil feedstock, refining and re-exporting its petroleum products, as valued at a specific location in the exporting country and is calculated as the FOB price of the product in the international market.

Trade Parity Price. Trade parity price for a petroleum product is generally the sum of 80% of IPP and 20% of the EPP for the product.

Sale of solid products

We seek to market our solid products, including polypropylene, through a strategy specific to each product, as further described below:

Polypropylene. Polypropylene is a widely consumed thermoplastic polymers and its consumption has been rapidly increasing in India, fuelled primarily by demand for packaging for cement and food grains, automobiles, appliances, moulded furniture and house ware, as well as flexible packaging for garments and foodstuffs. We commenced sales of polypropylene during financial year 2013, pursuant to the setting up of a separate 0.44 MMTA polypropylene unit within our Refinery complex; the capacity of the unit has thereafter been expanded to approximately 0.47 MMTA. We have registered the trademark of our polypropylene product brand ‘POLYSURE’ under classes 1 and 35 of the Indian Trade Mark Act, 1999.

We seek to follow a hybrid distribution model to increase our marketing reach and improve customer satisfaction, including direct sales through our own regional and sales offices, and sales through *del credere* agents who sell exclusively on our behalf and act as sureties of the sales they make to customers as well as through stockists who own depots for onward sale to customers. In each case, our agents are only permitted to sell to customers specifically selected by us. In addition to our four regional offices at Noida, Mumbai, Hyderabad and Kolkata, as well as seven sales offices at Chandigarh, Kanpur, Jaipur, Ahmedabad, Indore, Bangalore and Chennai, we had a product distribution network consisting of 17 distributors operating 32 regional warehouses across 18 states and union territories in India, which helps us serve our marquee customer base, as of August 31, 2019. We also seek to pursue direct sales and have entered into memoranda of understanding with some customers. As of August 31, 2019, we sold 87% of our polypropylene in higher net sales realization regions of North and West India, and nearly 80% of our polypropylene sales were to customers who were consistently buying polypropylene requirements from us. Due to our comprehensive product mix and ability to leverage our existing pan-India distribution network with long established leadership, we believe we have a strong ability to market petrochemical products.

Pet coke. During the planning phase of our Refinery, we specifically chose a configuration that would enable our Refinery to convert low-value residue into by-products such as pet coke. This decision was based on the high market demand for pet coke, which results from pet coke being a more efficient fuel than coal.

We seek to market pet coke through a two-tier strategy that includes direct sales to major cement manufactures and power plants and sales through traders to service retail demands of steel mills and brick

kilns in Punjab. As part of our marketing strategy, we actively seek to build relationships with cement manufacturers in northern India close to our Refinery.

Sulphur. We are pursuing a similar two-tier strategy for sulphur, wherein we seek to make direct sales to large fertilizer and sulphuric acid plants and sales through traders to service retail demand in northern India. As part of our marketing strategy, we actively seek to build relationships with fertilizer manufacturers and encourage the establishment of fertilizer plants in northern India close to our Refinery, where certain government incentives are available to encourage the production of fertilizers.

Some of our key customers of our liquid products include Reliance Industries Limited, Bharat Petroleum and Indian Oil.

Competition

The oil and gas industry is highly competitive, in India and internationally. The principal competitive factors that affect our refining operations are the price and availability of crude oil and other feedstocks, refinery efficiencies, refined product mix and transportation costs. We compete for feedstocks with Indian and international competitors. We also expect competition in the Indian refining sector to increase as additional refineries are constructed and capacity upgrades at existing refineries are completed, which could result in overcapacity and reduced refining margins. We believe our primary competitors include private sector companies such as Reliance Industries Limited and Nayara Energy, as well as public sector companies such as Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Mangalore Refinery and Petrochemicals Limited. Although we believe that the Product Off-take Agreement provides us with certain protections against a lack of market for our liquid products, the prices that we receive under the Product Off-take Agreement are subject to competitive factors that influence prevailing industry practice determining the price of sales of refined petroleum products in India. See “*Risk Factors—Risks relating to our Business—We have entered into a Product Off-take Agreement with HPCL, pursuant to which HPCL purchases all of our Bathinda refinery’s liquid petroleum products. Consequently, a default by HPCL in its obligations under the Product Off-take Agreement, the termination of the Product Off-take Agreement or the failure to extend the Product Off-take Agreement on commercially acceptable terms, may adversely affect our business, results of operations, financial condition and cash flows*” and “*Risk Factors—Risks relating to our Business—The commissioning of HPCL’s upcoming Barmer refinery would increase the supply of transportation fuels in northern India and could restrict HPCL’s ability to offtake fuel products from our Refinery*”.

Insurance

We have in place on-shore property damage and business interruption policy, off-shore property damage and business interruption policy, marine cargo insurance annual sales turnover policy (which includes domestic and international marine movement, intermediary storage for raw materials and capital goods), terrorism and sabotage including political violence and war insurance, property damage and business interruption insurance policy, directors and officers liability policy, commercial general liability policy, public liability insurance policy and charterers’ protection and indemnity liability insurance, subject to certain standard exclusions and deductibles, which we believe is in accordance with applicable laws and customary industry practices in India. In particular, we have obtained terrorism insurance coverage for our Refinery and its ancillary facilities, keeping in view recent instances of terrorist activity in India as well as the proximity of our facilities in Bathinda to the India-Pakistan border.

The petrochemical complex project is covered under a separate all risk construction policy which covers advance loss of profit. Additionally, project marine movements are also covered under separate project marine policies.

Human Resources

We have 1,827 employees on our payroll as of August 31, 2019 for our Refinery and pipeline operations, projects, petrochemical, marketing and other corporate functions. Additionally, we engage outsourced employees to support us with our operations.

We have undertaken several initiatives with respect to capability building, leadership alignment and succession planning. We place special emphasis on developing our internal talent pipeline by recruiting diploma holder engineer trainees and graduate engineer trainees. The trainees that we hire undergo a 52-week structured training programme, which includes training on refinery operations, fire and safety, simulator training and on-the-job training. We also have an in-house certification process for all out operations and maintenance staff. This ensures a readiness in terms of the knowledge and skills required for operating and maintaining the refinery units.

Periodic leadership alignment workshops are conducted for our Company's senior management for enhanced synergy and collaboration. The central theme for these workshops hovers around our endeavour to make our company a great place to work by further strengthening the high-performance orientation in the organisation. The organisation is also collectively working towards a cultural transformation and has embraced the desired behaviours of "proactive collaboration", "passionate innovation" and "boldly efficient". The three behaviours have been integrated with all HR systems and processes to help realize our business strategy and mitigate business challenges.

We have prepared individual development plans for the entire middle management through an elaborate competency profiling process. We believe that this would help in identifying successors for critical roles. Individual development plans that we create clearly outline training needs and improvement areas and solicit support from reporting managers by making them jointly responsible. Our company has partnered with institutes to benchmark ourselves with the best workplaces and achieved the certification of a "Great Place to Work" from the Great Place to Work® Institute.

In line with our core value of 'Continuous Improvement and Learning', we continue to offer developmental opportunities to our employees. We provide regular training to our employees, including with the assistance of external consultants. We monitor our employees' skill levels and provide targeted training programs to improve their skills. Our employees also receive various benefits including medical insurance for certain employees, annual leave and provident fund.

Property

Our registered office is situated at the site of our Refinery in Bathinda, Punjab. We lease our corporate office in Noida.

We have four regional offices in Noida, Mumbai, Hyderabad and Kolkata and seven area offices in Chandigarh, Jaipur, Kanpur, Indore, Ahmedabad, Bengaluru and Chennai. Our product distribution network consists of 17 distributors operating 32 regional warehouses across 18 states and union territories in the country. We have an arrangement to avail a liquid terminal facility in Mundra, Gujarat to facilitate exporting of our products. Due to our comprehensive product mix and ability to leverage our existing pan-India distribution network with long established leadership, we believe we have a strong ability to market petrochemical products.

We have acquired the following properties and RoUs for setting up our Refinery and related activities:

- **Land for setting up our Refinery and Township:** Our Company owns 2,471.71 acres of land in Bathinda, Punjab, which includes approximately 1,992.58 acres of land initially acquired through a deed of conveyance entered into with the Department of Industries and Commerce, GoP. The initial land was acquired by the GoP under the provisions of the Land Acquisition Act, 1984, and was subsequently conveyed and transferred to our Company through the aforesaid conveyance deed.

- **COT and other related infrastructure:** Pursuant to a sub-lease agreement dated May 31, 2002 and an amendment dated July 16, 2007 entered into with the Mundra Ports and Special Economic Zone Limited, we have taken on lease 232.65 acres of land in Mundra, Gujarat, for a term up to September 27, 2030, for the purposes of developing, constructing, operating and maintaining the COT.

We believe our properties are sufficient for us to conduct our present and proposed business.

Litigation

We are not involved in any material legal proceedings. However, in the ordinary course of our business, our Company and our Subsidiary, HMPL, are involved, from time to time, in various claims, including civil (including land acquisition related matters) and arbitration proceedings, cases involving various taxes, levies and duties and criminal proceedings, pending at various levels of adjudication, where the financial implication may not always be ascertainable. Among other matters, our Subsidiary, HMPL, is involved in an arbitration proceeding arising out of a pipeline laying contract, wherein the contractor has filed a significant recovery claim against HMPL. This arbitration proceeding is currently pending hearing by the arbitral tribunal.

Intellectual Property

We have registered “” as our trademark and logo under classes 1, 4, 35 and 39, under the Indian Trade Marks Act, 1999. In addition, we have registered the trademark ‘POLYSURE’ for our polypropylene product under classes 1 and 35 of the Indian Trade Marks Act, 1999.

Health, Safety and Environment

We have adopted industry leading safety standards for both occupational safety (protection of people) and process safety (protection against major process incidents), at our Refinery and in relation to our Crude Oil Pipeline. We are certified to the international safety management systems standard OHSAS 18001, environmental management system standard ISO 14001 and are in the process of migrating to the newly introduced ISO 45001 standard. For PSM, we have implemented standards in line with international best practice and have a structure of PSM element owners, power users and lead persons to help drive continuous improvement.

We have a dedicated health and safety department in place, led by the Vice-President, Health, Safety and Environment, who reports directly to our Head of Refinery. Fire safety is also included in the health and safety department, with full-time fire teams backed up by trained auxiliaries from other departments. We have also developed a green belt around our Refinery, with the help of the Punjab State Forest Department.

In 2016, we achieved a maximum five-star rating from a 10-day occupational safety audit by the British Safety Council, which also awarded us a sword of honor. In 2018, the British Safety Council launched a new process safety version of their five-star audit. In January 2019, we believe we became the first company outside of the United Kingdom to receive the maximum five-star rating in this audit.

To track and manage our performance we extensively utilise software systems and we have leading and lagging indicator dashboards for both occupational and process safety. We also use a specialist software tool and methodology for root cause analysis and learning from incidents.

The other key element of safety is our commitment to developing a good safety culture where everyone is aware of the hazards, understands the consequences of accidents and is involved in protecting themselves and others around them. Safety culture training has been in place since we commenced operations. In 2016, we launched a comprehensive safety culture transformation initiative with the vision of creating an incident and injury free (“IIF”) workplace. All employees and contractors are given IIF training before starting work

and a comprehensive structure, involving people at all levels, is in place to drive IIF compliance. Our current IIF key focus areas are on visible leadership, high performing supervisors and effective contractor safety teams.

Since commissioning the Refinery, we have demonstrated a clear continuous improvement in terms of both injuries and process incidents. The Refinery, including refinery projects, recently achieved one year without a LTA for the first time. On August 31, 2019, we achieved 25 million man-hours worked LTA free. Our LTA frequency per man hours worked 0.19, 0.20 and 0.26 for financial years 2019, 2018 and 2017, respectively, and our total recordable injury rates were 0.91, 1.03 and 0.87 for financial years 2019, 2018, financial years 2018, 2017 and 2016, respectively.

Our environmental management policy requires strict compliance with all local, state and central laws and regulations concerning environmental protection and related matters. For further details, see “*Indian Regulatory Environment*”.

Corporate Social Responsibility (“CSR”)

As a conscious corporate citizen, we focus on the social development of the community in which we operate. We are committed to contributing to the socio-economic and cultural development of the communities around our Refinery, located primarily in Bathinda, in addition to other locations which we determine based on the needs and priorities of the region and nation.

To fulfil HMPL’s and our CSR objectives, and to meet the long term and short term benefits of pursuing the activities as envisaged by the sub-committees of HMPL’s and our board of directors, HPCL-Mittal Foundation, a wholly owned subsidiary of HMEL was incorporated as a Section 8 Company under the Companies Act 2013 on October 30, 2018. Since then, the CSR activities for both companies are discharged through HPCL-Mittal Foundation.

Accordingly, we engage, through HPCL-Mittal Foundation, with the community to ensure our CSR efforts are both sustainable and people driven. We have grouped our CSR initiatives into five areas, as follows:

- *Livelihood and Sustainable Development:* Focusing on the livelihood opportunities for local communities, with women at the core, we strive to support women entrepreneurs in the community. The entrepreneurial development among women collectives, formed as self-help groups, are strategically positioned such that it could serve the larger community needs while also economically empowering women. Personal and technical support by expert veterinarians from our Company has led to improved income potential for the farmers. We also focus on the promotion of sustainable agriculture and introduction of innovative technology in agriculture.
- *Skill Development:* Our skill development program’s primary objective is to enhance the employability of youth. We provide numerous youth skill building opportunities every year. Additionally, the program focuses on industry relevant courses in partnership with training organizations who have a proven track record of placement linkages.
- *Community Health care and Hygiene:* We are committed to addressing the community health, hygiene and sanitation issues in certain communities. A supplementary health service, through specialized health camps, provides preventive and curative health services. As an intended approach towards sanitation coverage in targeted villages, prefabricated household toilets are installed to achieve open defecation free status in the respective villages. Additionally, an approximately 80-bed mother-and-child hospital with additional specialized indoor and outdoor facility is under construction in a semi-urban location in Bathinda. It would service the primary health needs of a rural population surrounding our Refinery.

- *Education:* Education, which plays a key role in alleviating social inequality, is one of our priority areas. Under our educational development programs, we address various educational needs for children ranging in age, from primary school to senior secondary level. This includes supporting infrastructure development of government schools, enhancing the quality of education through teachers' capacity building, and scholarship programs. Further, we engage in educational intervention by focusing on retention of children in school education, prevention of drop outs and promotion of girls' education.
- *Community Infrastructure and Environment and Hospital Project:* To improve the quality of life of communities near the Bathinda refinery, we are involved in developing model villages with concrete roads, lighting, recreational avenues, sports facilities and health facilities, and upgrading school facilities. Under the environmental initiative, we also focus on the prevention of stubble burning through the introduction of new technology, such as Happy Seeder, by partnering with village level institutions such as self help groups.

INDIAN REGULATORY ENVIRONMENT

The following section provides an overview of certain Indian laws and regulations governing activities in the petroleum and natural gas industry in India, our business and this Notes offering. The information provided below has been obtained from sources available in the public domain and is based on the current provisions of the Indian laws, as amended and which are subject to amendments, changes and modifications. The information set out below is not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.

Overview

Pursuant to the provisions of the Constitution of India, jurisdiction over petroleum and natural gas occurring in their natural state in India is vested with the GoI. The Ministry of Petroleum and Natural Gas, GoI (“**MoPNG**”), is the principal regulator of exploration, production, distribution, marketing and pricing of petroleum resources in India, including crude oil and natural gas and for planning, development, conservation of petroleum products and regulation of oil field services. The Directorate General of Hydrocarbons (“**DGH**”) was established under the aegis of the MoPNG in 1993, with the objective of promoting sound management of Indian oil and natural gas resources, with regard to environment, safety, technological and economic aspects.

Laws, Rules and Regulations in Relation to the Refinery Operations of our Company

The Petroleum Act, 1934 (the “Petroleum Act”)

The Petroleum Act regulates the import, transport, storage, production, refining and blending of petroleum and provides detailed procedures for testing of petroleum. The Petroleum Act prohibits import, transport, storage, production, refining or blending of petroleum except in accordance with the rules framed under it. The GoI has been empowered to frame rules in this regard and to authorize an officer to inspect and procure samples of petroleum for the purposes of testing.

The Petroleum and Natural Gas Regulation Board Act, 2006 (the “PNGRB Act”)

The PNGRB Act, provides for the creation of the Petroleum and Natural Gas Regulation Board (“**PNGR Board**”), which shall be a body corporate, and vests it with the authority to, among other things, regulate refining, processing, storage, transportation (including laying of pipelines), distribution, marketing and import, export and sale of petroleum, petroleum products and natural gas, excluding the production of crude oil and natural gas, monitoring prices and taking corrective measures to prevent restrictive trade practices, imposing fees and other charges and regulating technical and safety standards and specifications relating to petroleum, petroleum products and natural gas. The objectives of the PNGRB Act are to ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas in all parts of India and to promote competitive markets. The PNGR Board is empowered to, among other things, authorize entities to lay, build, operate or expand a common or contract carrier or a city or local natural gas distribution network.

The Petroleum Rules, 2002 (the “Petroleum Rules”)

The Petroleum Rules seek to regulate the import, delivery and dispatch of petroleum. The Petroleum Rules restrict delivery and dispatch of petroleum to any person in India other than to a holder of a storage licence issued under the Petroleum Rules or his authorized agent, a port authority, railway administration or a person who is authorized under the Petroleum Act to store petroleum without a licence, subject to class and quantity of petroleum so authorised to be delivered and dispatched. The Petroleum Rules also seek to regulate the import of petroleum through licencing, other than petroleum, which may be stored without a license as provided for under the Petroleum Act. Further, the Petroleum Rules prescribe specifications for containers used for delivery and dispatch of petroleum and require that such containers be approved by the Chief Controller of Explosives.

The Petroleum Rules also prescribe conditions with respect to design, construction and working of a pipeline and requires an approval from the Chief Controller of Explosives for the proposed route of the pipeline.

The Petroleum Products (Maintenance of Production, Storage and Supply) Order, 1999 (the “Petroleum Order”)

The Petroleum Order was notified pursuant to the Essential Commodities Act, 1955, with the objective to regulate production, storage and supply of petroleum products. It authorizes the GoI to direct any oil refining company to maintain or cause to be maintained a level of production of such product or mix, or to maintain the production of any petroleum product for such period in such quantities or proportions and of such specifications as may be required or require any oil marketing company to supply or cause to be supplied one or more petroleum products from the stocks held by it in such quantity and manner for the period specified, if the GoI is satisfied that it is in the public interest to do so. In determining such requirement, the GoI is required to consider the factors such as the capacity of the oil-refining company, type of crude oil availability and operational flexibility, etc. Further, all oil refining companies are required to furnish certain information to the GoI or its nominated agency on request, including information in relation to procurement of crude oil and production of petroleum products.

Static and Mobile Pressure Vessel (Unfired) Rules, 2016 (“Static and Mobile Pressure Vessels Rules”)

The Static and Mobile Pressure Vessels Rules are framed under the Explosives Act, 1884. As per the rules, no person shall fill any compressed gas in any vessel or transport any vessel filled with any compressed gas unless such vessel has been manufactured in accordance with a type or standard or code as specified under the Static and Mobile Pressure Vessels Rules and fitted with fittings approved by the Chief Controller; no person shall manufacture any vessel and fitting thereof, including vaporiser, without the prior approval of the Chief Controller; and no person shall import any vessel without prior approval from Chief Controller. Further, these rules stipulate requirements such as construction and fitments, periodic testing, location, fire protection, loading and unloading facilities, transfer operations etc., in respect of pressure vessels, as prescribed.

Gas Cylinders Rules, 2016 (“Gas Cylinder Rules”)

The Gas Cylinder Rules are framed under the Explosives Act, 1884. The rules regulate the activities concerning filling, possession, importing and transporting of cylinders with any compressed gas which exercises a pressure exceeding certain prescribed limits. These rules stipulate requirements such as construction of valves particular to a type and standard, as specified, for example the fitment of valves, safety relief devices, markings on cylinders and valves, identification, colours, labelling etc. and the testing and inspection certificates issued in respect of a cylinder and its valve. As per the rules, no person shall fill any cylinder with any compressed gas or import, possess or transport any cylinder so filled or intended to be filled with such gas unless such cylinder and its valve have been constructed to a type and standard specified as per the rules by the Chief Controller of Explosives and further the test and inspection certificates issued by the inspecting authority in respect of cylinder and its valve are made available to the Chief Controller of Explosives and prior approval of such authority has been obtained.

Policy Framework to Promote and Incentivize Enhanced Recovery Methods for Oil and Gas dated October 10, 2018 (“Policy Framework to Promote and Incentivize Enhanced Recovery Methods for Oil and Gas”)

The GoI approved the policy framework to promote and incentivize Enhanced Recovery (ER)/ Improved Recovery (IR)/ Unconventional Hydrocarbon (UHC) production methods/techniques to improve recovery factor of existing hydrocarbons reserves for augmenting domestic production of oil and gas. The strategic objective of the Policy Framework to Promote and Incentivize Enhanced Recovery Methods for Oil and Gas is to build a supportive ecosystem through academic and research institutes, industry- academia

collaboration and to support and encourage Exploration and Production (E&P) Contractors to deploy ER/IR/UHC methods/ techniques. The Policy Framework to Promote and Incentivize Enhanced Recovery Methods for Oil and Gas will be applicable to all contractual regimes and Nomination fields. It envisages systemic assessment of every field for its ER potential, appraisal of appropriate ER techniques and fiscal incentives to de-risk the cost involved in ER Projects to make the investment financially viable. An Enhanced Recovery (ER) Committee comprising of representatives of Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbons (DGH), experts from upstream sector, and academia would monitor and implement the Policy.

Explosives Act, 1884 (the “Explosives Act”)

Under the Explosives Act, the Indian Government has the power to regulate the manufacture, possession, use, sale, transport, importation and exportation of explosives and grant of licence for the same activities. The Indian Government may prohibit the manufacture, possession or importation of especially dangerous explosives. Any contravention of the Explosives Act or rules made under it, being the Explosives Rules, 2008, may lead to an arrest without warrant and imprisonment of up to three years, including a fine which may extend up to ₹ 5,000, or both.

Laws, Rules and Regulations Relating to Oil Exploration Activities

Petroleum and Natural Gas Rules, 1959 (“PNG Rules”)

The PNG Rules were notified by the GoI under the Oilfields (Regulation and Development) Act, 1948 which provides for the regulation of oilfields and for the development of mineral oil resources. The PNG Rules provide a framework for grant of petroleum exploration licenses (“**PELs**”) and petroleum mining leases (“**PMLs**”). The PNG Rules prohibit prospecting or mining of petroleum or natural gas without obtaining a PEL or PML. A PEL entitles the licensee a right to conduct exploration activities and an exclusive right to a lease for extracting oil and gas. A PML entitles the lessee to an exclusive right for mining and to extract oil and natural gas from the contract area. PELs and PMLs are granted by the MoPNG for offshore areas, and by the relevant State Governments, with prior GoI approval, for onshore areas. The PNG Rules detail various provisions as to the validity period and payments in relation to PELs and PMLs. The PNG Rules further provide that notwithstanding anything contained in any agreement, a royalty shall be payable to the GoI or the relevant State Government.

Oil Mines Regulations, 2017 (the “Oil Mines Regulations”)

The Oil Mines Regulations are applicable to every oil mine in India. Under the Oil Mines Regulations, the owner, agent or manager of a mine shall give notice of commencement of any mining operation to the Chief Inspector of Mines, the Regional Inspector and the District Inspector along with a plan showing the geographical boundaries of the mine including locations of the installations and other prominent and permanent surface features and a copy of the Safety Management Plan prepared as per the Oil Mines Regulations. The owner, agent or manager of every mine shall frame an emergency plan for implementation in the event of an emergency and submit a copy thereof to the Regional Inspector and District Magistrate. Further, the owner, agent or manager of mines shall submit annual returns in respect of preceding year in the Form and method specified, to the Chief Inspector of Mines, the Regional Inspector and the District Magistrate on or before February 1, every year.

The Oil Industry (Development) Act, 1974 (the “OID Act”)

The OID Act provides for the establishment of the Oil Industry Development Board (the “**OID Board**”) for the development of the Indian oil industry and for that purpose to levy a duty of excise on crude oil and natural gas. The functions of OID Board, which shall be a body corporate, include providing financial and other assistance for the promotion and development of the oil industry.

Hydrocarbon Exploration and Licensing Policy, 2016 (the “HELP”)

To enhance domestic oil and gas production by encouraging exploration in sedimentary basins, the GoI has notified the HELP replacing the New Exploration Licensing Policy (NELP). The main facets of this policy include providing a uniform license for exploration and production of all hydrocarbons resources under the Oilfields (Regulation and Development) Act, 1948 and the Petroleum and Natural Gas Rules, 1956 an open acreage licensing policy (OALP), easy administration of revenue sharing model and marketing and pricing freedom for the crude oil and natural gas produced. Under HELP, both foreign and Indian companies can hold 100% participating interest and there is no requirement for participation of the GoI or a Government nominee in any joint ventures.

Ministry Of Petroleum And Natural Gas Resolution No. o-12015(11)/1/2019-ONG-II dated February 28, 2019

The GoI notified this resolution on February 28, 2019 with the purpose of increasing exploration activities, attracting domestic and foreign investment in unexplored/unallocated areas of sedimentary basins, and enhancing domestic production of oil and gas from existing fields and promoting ease of doing business by streamlining and expediting the approval processes. The resolution classifies the sedimentary basins into three categories, basins which have proven hydrocarbon resources with established commercial production, basins which have contingent resources which are yet to be converted to recoverable reserves and commercial production and basins which have prospective resources with no hydrocarbon discovery and few exploration inputs and data. The Empowered Committee of Secretaries (ECS) comprising the Finance Secretary, Law Secretary, Secretary, Department of Expenditure, Secretary, Department of Economic Affairs and Secretary, Petroleum and Natural Gas, constituted vide notification no. O-27011/1/2017-ONG-II (Volume I) dated June 29, 2018 published in the Gazette of India, will perform the same functions as assigned to it under HELP with respect to this Policy also. The ECS will also be empowered to take decisions for removal of difficulties, if any, in implementation of this Policy.

Laws, Rules and Regulations Relating to Our Subsidiary’s Pipeline Operations

Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962 (the “Pipelines Act”)

The Pipelines Act read with the Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Rules, 1963, provides the framework governing acquisition of ROU in land, including the acquisition procedure, restrictions on land use and payment of compensation for the acquisition of such ROUs, in relation to laying pipelines for transportation of petroleum and minerals and other matters connected therewith. The Pipelines Act allows the GoI to acquire such ROUs in land for itself or on behalf of any State Government or any corporation for laying pipelines for transportation of petroleum or minerals. ROU acquisition may be subject to conditions deemed fit by the GoI in the public interest.

Guidelines for Laying Petroleum Product Pipelines, 2002 (the “Pipeline Guidelines”)

The Pipeline Guidelines read with the Supplementary Guidelines for Laying Petroleum Product Pipelines, 2004, govern the ownership of and access with respect to the ROU obtained under the Pipelines Act. The Pipeline Guidelines provides categorisation of pipelines based on the origin of such pipelines and the dedicated usage thereof, based on which category the related usage may either be for captive use on an exclusive basis or may be open for use by anyone in case of excess capacity. However, the ROU is subject to conditions imposed by the GoI in public interest and the ROU holder is required to share portions of the ROU falling in reserve forests, wildlife sanctuaries, or other restricted areas with other interested parties and where such pipeline intersects with another pipeline the points of crossing would be decided by mutual agreement with the other party which has an ROU. As per the Policy for Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks, 2006, ROU acquisition for any transmission

pipeline or city or local gas distribution project under the Pipelines Act will only be considered by the GoI after it is authorized by the PNGR Board.

Petroleum and Natural Gas Regulatory Board (Authorizing Entities to Lay, Build, Operate or Expand Petroleum and Petroleum Product Pipelines) Regulations, 2010 (the “Petroleum Pipeline Regulations”)

The PNGR Board notified the Petroleum Pipeline Regulations under the PNGRB Act, which applies, among other things, to an entity which is or proposes the laying, building, operating or expanding a pipeline for transporting one or more petroleum products. This process may be initiated either through expression of interest by an entity or on its own motion by the PNGR Board inviting entities to participate in the process. The Petroleum Pipeline Regulations provide certain minimum eligibility criteria for an entity including in respect of its technical capability in relation to laying, building, operating or expanding a petroleum and petroleum products pipeline. The fixation and recovery of petroleum and petroleum product pipelines tariff and the quality of service standards has also been provided by the Petroleum Pipelines Regulations.

Petroleum and Natural Gas Regulatory Board (Determining Capacity of Petroleum, Petroleum Products and Natural Gas Pipeline) Regulations, 2010

These regulations apply to among others entities laying, building, operating or expanding pipelines or proposing to do so and regulate, among other things, the applicable procedures, parameters both constant and variable, and frequency of declaration of pipeline capacity for natural gas, and other petroleum and petroleum products pipelines. These regulation are intended to apply to all new and existing petroleum, petroleum products and natural gas pipelines including dedicated pipelines for the purpose of declaration of capacity of the pipeline under steady state conditions. The capacity of the petroleum, petroleum products and natural gas pipeline so determined shall be used for: (a) declaring pipeline as common carrier or contract carrier under the relevant regulation on declaring pipeline as common carrier or contract carrier; and (b) determining the tariff for petroleum, petroleum products and natural gas pipeline as per the methodology or formulae defined under relevant regulations. The capacity of the petroleum, petroleum products and natural gas pipeline so determined shall be used for providing access to available capacity on non-discriminatory basis under the relevant regulations on access code.

Petroleum and Natural Gas Regulatory Board (Determination of Petroleum and Petroleum Products Pipeline Transportation Tariff) Regulations, 2010 (the “Petroleum Pipeline Tariff Regulations”)

The PNGR Board notified the Petroleum Pipeline Tariff Regulations which apply to regulation of the tariff for transportation of petroleum and petroleum products through pipelines laid by entities in terms of the Petroleum Pipelines Regulations. The tariff is determined for different tap-off points (a facility on the pipeline from where the petroleum products are diverted into a delivery terminal or into a spur line or another pipeline, which may also be called the intermediate delivery station) by benchmarking the tariff against alternate modes of transport.

Petroleum and Natural Gas Regulatory Board (Determination of Natural Gas Pipeline Tariff) Regulations, 2008 (the “Natural Gas Pipeline Tariff Regulations”)

The Natural Gas Pipeline Tariff Regulation was notified by the PNG Board under the PNGRB Act on November 20, 2008. It sets forth the procedure for determining the tariffs applicable to natural gas pipeline. It applies to an entity authorized by the Central Government under the Petroleum Pipelines Regulations for laying, building, operating or expanding a natural gas pipeline before October 1, 2007, an entity laying, building, operating or expanding a natural gas pipeline before October 1, 2007 and authorized by the Board for such activities under the Petroleum Pipelines Regulations and an entity laying, building, operating or expanding a dedicated pipeline which is converted into a natural gas pipeline under the Petroleum Pipelines

Regulations. The Natural Gas Pipeline Tariff Regulations also require the entity involved to submit for the PNG Board's approval, the calculations in respect of apportioning of the unit natural gas pipeline tariff over all the tariff zones during the economic life of the project.

Laws, Rules and Regulations Relating to Safety

The Petroleum and Natural Gas (Safety in Offshore Operations) Rules, 2008 (the "Safety Rules")

The Safety Rules have been notified by the MoPNG under the Oilfields (Regulation and Development) Act, 1948, providing for health, safety and environment regulations in relation to petroleum activities, particularly offshore oil and gas exploration, exploitation, production, drilling and matters connected therewith. The relevant authority under the Safety Rules is the Oil Industry Safety Directorate to exercise powers and functions stipulated in the Safety Rules.

Petroleum and Natural Gas Regulatory Board (Codes of Practices for Emergency Response and Disaster Management Plan) Regulations, 2010 (the "ERDMP Regulations")

The ERDMP Regulations are applicable to, among other things, transportation of petroleum products by road hydrocarbons processing installations, petroleum and gas storage facilities and terminals, and liquid petroleum product pipelines. The scope of the ERDMP Regulations covers identification of emergencies, mitigation measures that attempt to reduce and eliminate the risk of disasters and plans of action when emergencies occur.

Environment Protection Regulations

The Environment (Protection) Act, 1986 (the "EPA")

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution.

The Environmental Impact Assessment Notification dated September 14, 2006 together with notifications dated December 1, 2009, April 4, 2011, January 25, 2012, June 25, 2014, November 23, 2016, March 14, 2017, August 14, 2018 and the draft notification proposed on April 15, 2019, issued under the EPA and the Environment (Protection) Rules, 1986 requires prior approval of the Ministry of Environment and Forests, GoI ("MoEF") if any new project in certain specified areas is proposed to be undertaken. To obtain environmental clearance, a no-objection certificate must first be obtained from the applicable environment impact assessment authority. The environment clearance (for commencement of the project) is valid for up to 30 years for mining projects and seven years for all other projects and activities.

The Water (Prevention and Control of Pollution) Act, 1974 (the "Water Act")

The Water Act read with the Water (Prevention and Control of Pollution) Rules, 1975, provides for the establishment of a central pollution control board and various pollution control boards at the state level, for the implementation of its provisions. The Water Act prohibits a person from establishing or operating any industry, operation or process, any treatment or disposal system that is likely to discharge sewage or other pollutants into a water body without obtaining a prior consent of the relevant pollution control board, which is empowered to establish standards and conditions that are required to be complied with.

The Water (Prevention and Control of Pollution) Cess Act, 1977 (the "Water Cess Act")

The Water Cess Act read with the Water (Prevention and Control of Pollution) Cess Rules, 1978, provides for the levy and collection of cess on water consumed by industries and local authorities. It provides that the State Pollution Control Boards and Committees shall levy and collect cess from persons carrying on any industry and from all local authorities for the purposes of and utilization under the Water Act.

The Air (Prevention and Control of Pollution) Act, 1981 (the “Air Act”)

In terms of the Air Act, read with the Air (Prevention and Control of Pollution) Rules, 1982, any person establishing or operating any industrial plant which emits air pollutants in an air pollution control area notified by the relevant pollution control board, must obtain the consent of such pollution control board prior to establishing or operating such industrial plant. The central and state pollution control boards established under the Water Act perform similar functions under the Air Act.

The Hazardous Wastes (Management and Transboundary Movement) Rules, 2016 (the “Hazardous Waste Rules”)

The Hazardous Wastes Rules regulate the management, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose of such waste without harming the environment. Every occupier and operator of a facility generating hazardous waste must obtain approval from the applicable state pollution control board, established under the Air Act and the Water Act.

The occupier is liable for damage caused to the environment resulting from the improper handling and disposal of hazardous waste and must pay any fine that may be levied by the respective state pollution control board.

Public Liability Insurance Act, 1991 (the “PLIA”)

The PLIA imposes liability on the owner of hazardous substances for death, injury or damage occurring in an accident involving hazardous substances, a list of which is notified by the GoI. Pursuant to the provisions of the PLIA, it is mandatory for the owner of hazardous substances to maintain public liability insurance.

Coastal Regulation Zone Notification

The Ministry of Environment, Forest and Climate Change (“**MoEF**”) issued the Coastal Regulation Zone Notification, 2018 (the “**CRZ Notification**”) on January 18, 2019, under which it has notified coastal regulation zones (“**CRZs**”) and prohibited certain activities including manufacturing or handling oil, storage or disposal of hazardous substances within CRZs without a clearance from the MoEF. However, the receipt and storage of petroleum products including crude oil and liquefied petroleum gas are permitted within notified CRZs.

Labor Laws

We are required to comply with certain labor and industrial laws, which include the Factories Act, 1948, the Industrial Disputes Act, 1947, the Employees State Insurance Act, 1948, the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Workmen’s Compensation Act, 1923, the Payment of Gratuity Act, 1972, the Contract Labor (Regulation and Abolition) Act, 1970 and the Payment of Wages Act, 1936.

The Code on Wages, 2019 (“**Wage Code**”) is intended to regulate and amalgamate wage and bonus payments and subsumes four existing legislations, namely, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, and the Equal Remuneration Act, 1976. The Wage Code received assent from the President of India on August 8, 2019, however, is yet to be notified in the official gazette.

The appropriate governments are required to fix the minimum wage rate for their respective states above the floor wage set by the central government. In the event that the existing minimum wage rate of the appropriate governments is more than the floor wage set by the central government, such wage rates cannot be reduced. Further, the central government may fix different floor wages for different geographical areas and the appropriate governments shall fix the minimum rate of wages either on the basis of duration or piece of work.

The Wage Code also prohibits gender discrimination in matters related to wages and recruitment in relation to same work of similar nature. The Wage Code further provides that all employees whose wages do not exceed a specific monthly amount, notified by the appropriate government, will be entitled to an annual bonus. Under the Wage Code, in the event that any dispute arises between employer and employees with respect to fixation of or eligibility for payment of bonus under the Wage Code, such dispute shall be deemed to be an industrial dispute within the meaning of the Industrial Disputes Act, 1947.

External Commercial Borrowing (“ECB”)

In terms of the current master directions on ECBs and trade credits issued by the Reserve Bank of India (“RBI”) last updated on August 8, 2019 (“**ECB Master Directions**”), ECBs can be raised either by way of an automatic route or by an approval route. Under the approval route, the requests of all prospective borrowers are required to be sent to RBI through the authorised dealer banks whereas, under the automatic route, the requests of the prospective borrowers are examined by the authorised dealer banks themselves. The ECB Master Directions classify ECBs under two categories: (a) foreign currency denominated ECBs; and (b) Indian Rupees denominated ECBs. Further, there is a prescribed set of lenders from who ECBs can be raised by the borrowers. All eligible borrowers can raise ECBs up to \$U.S. 750 million or equivalent per financial year under the automatic route and in the case of foreign currency denominated ECBs raised from direct foreign equity holder, the ECB liability-equity ratio for ECB raised under the automatic route cannot exceed 7:1.

Further, in terms of the ECB Master Directions, the minimum average maturity period (“**MAMP**”) is three years. However, there are certain categories of ECBs for which the MAMP could be higher, depending on the use of the proceeds from the ECBs, for instance, the MAMP is 10 years in case the ECBs are being raised for repayment of Indian Rupee term loans availed domestically for purposes other than capital expenditure. The proceeds raised from the ECBs are permitted to be parked abroad pending utilisation where the proceeds are meant for foreign currency expenditure but proceeds meant for Indian Rupee expenditure is required to be immediately repatriated to India. In accordance with the ECB Master Directions, any draw-down in respect of an ECB is permitted only post obtaining a loan registration number (“**LRN**”) from RBI. Any changes to the terms and conditions of the ECBs are required to be reported to RBI and the borrowers are required to report actual ECB transactions, on a monthly basis, to their authorised dealer banks. The ECB Master Directions empowers the authorised dealer banks to: (a) approach RBI for cancellation of LRNs subject to conditions prescribed under the ECB Master Directions; and (b) permit the ECBs to be secured by way of creation of charge or guarantees.

Indian Exchange Control Restrictions

There are certain restrictions on the conversion of Indian Rupees into foreign currencies, including U.S. Dollars. The FEMA regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or specific permission of RBI.

MANAGEMENT

Our board of directors is responsible and has general powers for the management and conduct of our business. Set forth below is certain information with respect to our Directors and other senior management.

Directors

Our board of directors consists of the following directors:

Name	Age	Title
Mr. Aditya Mittal	43	Chairman
Mr. Mukesh Kumar Surana	57	Director
Mr. Prabh Das	61	Managing Director and Chief Executive Officer
Mr. Rajan Tandon	56	Director
Mr. Vinod S. Shenoy	57	Director
Mr. Jagjeet Singh Bindra	72	Director
Mr. Ramakrishnan Kesavan	58	Director
Mr. Arun Balakrishnan	69	Independent Director
Dr. Vijayanti Ajit Pandit	66	Independent Director

Other than those interests and relationships disclosed in “*Principal Shareholders*” and “*Related Party Transactions*”, no conflicts of interest exist between the private interests of the management team and our interests.

A description of the business experience and present employment of each of our directors is provided below:

Mr. Aditya Mittal is currently the president of ArcelorMittal, and group chief financial officer and chief executive officer of ArcelorMittal Europe. Prior to his current role, Mr. Aditya Mittal was chief financial officer of ArcelorMittal with responsibility for Flat Carbon Europe, investor relations and communications. He joined Mittal Steel Company in 1997, and was president and chief financial officer of Mittal Steel Company from 2004 to 2006. As chief financial officer of Mittal Steel, he initiated and led Mittal Steel’s offer for Arcelor. In 2008, Aditya Mittal was named “European Business Leader of the Future” by CNBC Europe, and he was ranked fourth in Fortune magazine’s “40 under 40” list in 2011. He is a board member of the Wharton School and also serves on the Board of Iconiq. He is also a significant supporter of the Great Ormond Street Hospital in London and works closely with UNICEF, focusing on children’s healthcare in India. He graduated with a bachelor’s degree in economics from the Wharton School at the University of Pennsylvania in Pennsylvania, USA. He was appointed to our board in July 2016, and subsequently elected as Chairman of the board in September 2017.

Mr. Mukesh Kumar Surana is currently the chairman and managing director of HPCL, effective since 2016. Prior to this, beginning in 2012, he served as chief executive officer of Prize Petroleum Company Limited, a wholly-owned subsidiary and upstream arm of HPCL. He is a mechanical engineer and holds a master’s degree in financial management. He has over 36 years experience in the petroleum industry. He is also a certified competency assessor and a project management professional. Mr. Surana has also been actively associated with various important industry forums in the oil and gas sector. He was appointed as Director to our board in April 2016, acted as Chairman of our board from May 10, 2016 to September 15, 2017, after which he returned to his position as Director.

Mr. Prabh Das is the Managing Director and Chief Executive Officer of our Company. He brings with him over 35 years of diverse experience and insight which encapsulates a rich blend of leadership roles in the prestigious “Indian Administrative Services” as well as in the Oil & Gas Industry encompassing Oil Diplomacy & Administration, Project Management & Financing, Refinery Operations, Petrochemicals, Marketing and Corporate Governance. Prior to HMEL, during his 25-plus years’ tenure in the “Indian Administrative Services” he served both in State Government and Government of India. In his 15 years in State Government of West Bengal he served in various positions among others as District Magistrate and Collector in Midnapur and Jalpaiguri districts, Chief Executive Officer of Calcutta Metropolitan Development Authority, OSD, Calcutta Improvement Trust, CEO of Asansol Durgapur Development Authority and Special Secretary of Transport Department. He further held senior positions in the Govt. of India in the Ministry of Petroleum & Natural Gas, Department of Ocean and Ministry of Commerce. As Joint Secretary - Refineries Division in the Ministry of Petroleum and Natural Gas, Govt. of India (2003 to 2008) wherein he played a key role in the formulation and implementation of the Auto Fuel Policy, Strategic Storage and New Initiatives in Oil Diplomacy. He was also on the Board as Government nominee of Fortune 500 companies as Director (for approximately two years) and member of Project Evaluation Committee of the Board of Indian Oil Corporation Ltd. He was also director (for approximately two years) of HPCL, Director on the boards of Mangalore Refineries and Petrochemicals Ltd, Chennai Petroleum Corp. Ltd for a tenure of approx. two years each and director on the Board of Engineers India Ltd. as well. As Director, Ministry of Commerce, Govt. Of India, he chaired and assisted bilateral working group meetings with Japan, Korea, China and US and further headed the first Indo-European Union working Group meeting. He oversaw export of Marine products from India and was responsible for bilateral relations with US, Japan and Europe. As Deputy Secy., Dept. of Ocean Development, he oversaw initiation, planning and organizing of the 14th and 15th Indian Scientific Expedition to Antarctica. Mr. Das is a member of various prestigious Oil industry Bodies and Institutions such as FIPI (Federation of Indian Petroleum Industry), Petrotech, OIIB (Oil Industrial Development Board), FICCI (Federation of Indian Chambers of Commerce & Industry), CSIR-IIP (Council of Scientific & Industrial research-Indian Institute of Petroleum) and OISD (Oil Industrial Safety Directorate). As the CEO of HMEL from 2008, he is instrumental in implementing the Greenfield refinery project and has been part of HMEL’s growth story since its inception. He was later inducted into the Board of Directors as Managing Director. He has largely contributed in HMEL’s growth from a greenfield 9 MMTPA Refinery to a 11.3 MMTPA Refinery which is built on the foundation of sound safety practices and robust processes leading to strengthening of HMEL’s Refining capacity, improvement in Refining Operations and margins on a year on year basis. This is now further being integrated to a 1.2 MMTPA petrochemical complex which is underway at Bathinda, Punjab. He was felicitated with the “Distinguished Contribution to Indian Petrochemical Industry” Award by FICCI in 2017. He was also conferred with “Outstanding Achievement Oil & Gas Leadership & Excellence Award 2014” at the Oil & Gas World Expo, 2014. He is an alumnus of Indian Institute of Technology, Kharagpur (B.Tech Hons.), Southern Cross University, Australia (MBA) and is a Certified Project Director by International Project Management Association (IPMA).

Mr. Rajan Tandon is currently the vice president of finance at Mittal Investments and has over 32 years of experience in the field of accounting and finance. Prior to this, he was the director finance at Mittal Steel. He also served as treasurer for LNM Holdings NV until its merger with Ispat International in December 2004. In his more than 25 year career within the Mittal Steel Group, he held various positions in the group’s finance and accounting departments. Mr. Tandon holds a bachelors degree in commerce from St. Xavier’s College in Kolkata. He is a fellow of the ICAI and a member of The Institute of Internal Auditors. He also serves on the board of various companies in the group and a member of the Governing Council of LNMIIT. He was appointed as Director to our board in July 2009.

Mr. Vinod S. Shenoy holds a bachelor’s degree in chemical engineering from the Indian Institute of Technology in Mumbai. He is currently the director of refineries at HPCL. Prior to this, he was the general manager of refineries coordination at HPCL. Mr. Shenoy has held various positions in the refinery divisions

and corporate departments of HPCL and has over 33 years experience in the petroleum industry. He was appointed as a Director on our board in November 2016.

Mr. Arun Balakrishnan is the founder chairman of our Company. He served as the chairman and managing director of HPCL until 2010. Currently, Mr. Balakrishnan is on the board of a number of companies as independent director, such as Mahanagar Gas Limited, Linde India Limited, Rashtriya Markets Services Private Limited and Shipping Corporation of India. He is also a member of the board of governors of the University of Petroleum and Energy Studies in Dehradun and a trustee of Bangalore Little Theatre. He was previously the president of the Indian Institution of Industrial Engineering. He is a chemical engineer and holds a post graduate diploma from the Indian Institute of Management in Bangalore. Mr. Balakrishnan received the “Distinguished Alumni Award 2008” from his alma-mater. The All India Management Association has conferred him with a fellowship, and the Institute of Engineers of India has presented him with a Scroll of Honor for recognition “of his outstanding contribution to the profession of Chemical Engineering”. Under Mr. Balakrishnan’s leadership, HPCL has received various awards and recognitions. He was appointed to our board in August 2010 as an Independent Director.

Dr. Vaijayanti Ajit Pandit was a senior director for FICCI, the head director for FICCI West, and vice president of public affairs for Adfactors PR. She has a postgraduate doctoral degree in management studies with specialization in entrepreneurship development from Jamnalal Bajaj Institute of Management Studies, and a masters degree in political science from the University of Pune. She also has a diploma in journalism from the University of Mumbai. Dr. Pandit was the recipient of the Maharashtra Gaurav Puraskar award for outstanding research in entrepreneurship. She authored “Business @ Home”, published by Vikas Publishing House in 2001, and “Everyday Yoga”, published by Himalaya Publishing House in 2012. She is an independent director on listed companies and public limited companies, including subsidiaries of Tata Motors Limited. She is also on the board of trustees of Pratham, one of the largest non-governmental organisations in India. She was appointed to our board as an Independent Director in January 2017.

Mr. Jagjeet Singh Bindra is currently on the supervisory board of Lyondell Basell, one of the largest plastics, chemicals and refining companies in the world. He was previously the president of Chevron Global Manufacturing. Mr. Bindra has extensive experience in research and development, refinery engineering and operations, project management, strategic planning and international business management. His past board of directors affiliations’ also include Edison International/Southern California Edison Company, Transocean, Caltex Australia Limited, GS Caltex (South Korea), Transfield Services Limited (Australia), Reliance Petroleum Limited and Larson & Toubro Limited. In 2008, Mr. Bindra received the Diamond Award from the University Of Washington College Of Engineering in recognition of his career achievements. Mr. Bindra was named Distinguished Alumnus of the Indian Institute of Technology in Kanpur in 2000. Mr. Bindra received his bachelor’s degree with distinction in chemical engineering from the Indian Institute of Technology in Kanpur in 1969 and a master’s degree in chemical engineering from the University of Washington in Seattle, Washington, USA in 1970. He also earned a master’s degree in business administration with honors from St. Mary’s College in Moraga, California, USA in 1979. He was appointed to our board as Director with effect from January 2018.

Mr. Ramakrishnan Kesavan, is an executive director of corporate finance at HPCL and has been appointed as the chief financial officer of HPCL in March 2019. Mr. Kesavan is a chartered accountant and has held various senior positions in HPCL. He has broad experience in finance, including expertise in corporate accounts, audit, treasury management, risk management, budgeting, corporate strategy and margin management and over 30 years experience in financial management. He was appointed to our board as Director in March 2019.

Other Senior Management

The table below sets forth certain information regarding the other members of our senior management.

Name	Age	Title
Mr. Harak Chand Banthia	53	Chief Financial Officer
Mr. A.S. Basundiya Basu	65	Head of Refinery Operations
Mr. Sanjeev Malhotra	59	Vice President: Treasury
Mr. Krishan Tuteja	63	Vice President: Operations
Mr. Ashok Kumar	61	Vice President: Human Leadership
Mr. Venkatraman Anantharaman	62	Vice President: Finance and Accounts
Mr. Harendra Kumar Rajora	62	Vice President: Marketing
Mr. Ramesh Chugh	62	Vice President: Technical Services
Mr. Tapash Pramanik	61	Vice President: R&D and Innovation
Mr. Ian Thorpe	59	Vice President: Health and Safety
Mr. Manu Sehgal	56	Vice President: Strategy and Feedstock Supply Group
Mr. Maheshkumar Bhagwandas Gohil	56	Vice President: Petrochemical Project
Mr. Antonio Barletta	60	Vice President: General Project Director
Mr. Henri Braun	62	Vice President: Operational Excellence
Mr. Pawan Agarwal	59	Vice President: Pipeline Operations
Mr. Shailesh Patwa	50	Vice President: Contracts & Procurement
Mr. Sidhartha Tyagi	44	Company Secretary

A description of the business experience and previous experience of some of our senior management is provided below:

Mr. Harak C. Banthia is the chief financial officer of our Company and holds a bachelor's degree in commerce from St. Xavier's, Calcutta. He is a rank holder fellow of the ICAI. He has over 34 years of extensive experience which includes 16 years of international experience in mergers and acquisitions, finance, commercial and management of various companies in the areas of steel, oil and gas and he has worked in Ireland, Romania, South Africa and UK, associated with L.N.Mittal Group. Prior to this, he worked at Lovelock & Lewes in the areas of various audit and assurances departments. He joined our Company in April 2011.

Mr. A.S. Basundiya Basu is our Head of Refinery Operations and holds a bachelor's degree in science (chemical engineering) from Jadavpur University. He has over 40 years of experience in the field of operations, technical services and production planning. He has previously been associated with Chennai Petroleum Corporation Limited as its managing director. He joined us in June 2014 and is currently responsible for the safe, reliable and optimized operations of our Refinery.

Committees of the Board

The board committees play an integral role in the governance structure of our Company and have been established to deal with specific areas of importance, as mandated under the Act. These committees operate according to their terms of reference and scope, in order to effectively deal with their respective issues. Currently, our Company has three board committees: the audit committee ("**Audit Committee**"), the nomination and remuneration committee ("**N&R Committee**") and the corporate social responsibility committee ("**CSR Committee**").

The Audit Committee's role is to assist the board to fulfill its corporate governance responsibilities, and oversee our Company's accounting and financial reporting process, internal control system, risk management system and internal and external audit functions. The Audit Committee was established in accordance with the provisions of Section 177 of the Companies Act, 2013. Audit Committee members possess appropriate financial, accounting and/or technical expertise. The Audit Committee is made up of four directors: Mr. Arun Balakrishnan as its Chairman, and Dr. Vijayanti Ajit Pandit, Mr. Rajan Tandon and Mr. Ramakrishnan Kesavan as members.

The role of the N&R Committee is to oversee the selection of directors and senior management, using preestablished selection criteria, and evaluate the performance of directors and senior management based on certain performance criteria. The N&R Committee also recommends to the Board the remuneration payable to directors and senior management. The N&R Committee comprises of: Mr. M. K. Surana as its Chairman, and Mr. Aditya Mittal and Mr. Arun Balakrishnan as members.

The CSR Committee is an integral part of HMEL and is committed to working closely with local communities around which it operates, with the goal of creating a framework of inclusive growth and fostering positive change with respect to the existing socio-economic and cultural environment. The CSR Committee is made up of three members: Mr. Arun Balakrishnan as Chairman, and Mr. Jagjeet Singh Bindra and Mr. Ramakrishnan Kesavan as members.

PRINCIPAL SHAREHOLDERS

The following table sets forth the ownership of equity shares as of the date of this Offering Memorandum:

Name of Shareholder	Number of equity shares	Percentage shareholding
HPCL	393,95,55,200	48.9925
MEI	393,95,55,200	48.9925
IFCI Ltd.	7,71,89,796	0.9599
State Bank of India.....	5,25,47,840	0.6535
HDFC Standard Life Insurance Co. Ltd.....	3,22,88,791	0.4016
Total	804,11,36,827	100

HPCL is a public sector undertaking with a 'Navratna' (*gem*) status, incorporated under the laws of India and listed on Indian stock exchanges. As of June 30, 2019, 51.11% of HPCL is held by ONGC, while 48.89% is held by the public, of which 3.74% is held by Life Insurance Corporation of India.

MEI, a company incorporated under the laws of Singapore, is a part of the Lakshmi N. Mittal Group, and some of its other affiliates hold interests in enterprises involved in oil and gas and infrastructure.

RELATED PARTY TRANSACTIONS
(as per Indian Accounting Standard — 24)

The following discussion describes certain material transactions we have with our related parties. Our related parties include our directors, other senior management, our controlling shareholders and their affiliates.

We sold goods to HPCL amounting to (inclusive of taxes) ₹ 143,355 million, ₹ 578,302 million, ₹ 376,232 million and ₹ 387,209 million for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, respectively. We also purchased certain goods from HPCL amounting to ₹ 412 million, ₹ 1,628 million, ₹ 913 million and ₹ 1,331 million for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, respectively. We also had certain sharing of resources with HPCL, which results in a transaction consisting of reimbursement of expenses and sale of goods and services by HPCL to us of ₹ 1 million, ₹ 13 million, ₹ 6 million and ₹ 5 million for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, and a transaction consisting of allocation of expenses and sale of goods and services by us to HPCL of ₹ 44 million, ₹ 180 million, ₹ 145 million and ₹ 156 million for the three months ended June 30, 2019 and financial years 2019, 2018 and 2017, respectively. In addition, one-time sale of crude oil to HPCL amounting to ₹ 1,618 million occurred in financial year 2019. We provided ₹ 11 million in financial year 2019 towards exploration expenses of relinquished blocks operated by ONGC. In addition, we paid a maiden final dividend of ₹ 500 million each to HPCL and MEI for each of financial years 2019 and 2018 net of dividend distribution tax wherever applicable. No dividends were paid to HPCL or MEI for the three months ending June 30, 2019 nor for financial year 2017. See the financial statements and the notes to those statements included elsewhere in this Offering Memorandum.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a description of certain material indebtedness of our Company and Subsidiaries as of June 30, 2019. We have availed of borrowings in Indian Rupee as well as in foreign currency.

Set forth below is the breakdown of our Rupee borrowings and foreign currency denominated borrowings as of June 30, 2019.

(₹ in million)

Total Borrowings (including current maturities of long term borrowings)	HMEL	HMPL	Total
In Indian Rupees	75,414	6,274	81,688
Less: Unamortised Ancillary Cost	208	8	216
Other than in Indian Rupees.....	156,125	18,091	174,216
Less: Unamortised Ancillary Cost	1,005	92	1,097
Total Borrowings.....	230,326	24,265	254,591

Secured Borrowings

Non-Convertible Debentures

Our Company issued, on a private placement basis, secured redeemable Indian Rupee denominated non-convertible debentures (“NCDs”) for an aggregate amount of ₹ 10,200 million and accrued interest, but not due, on debentures amounting to ₹ 6,640 million. The NCDs will be redeemed at the end of the 8th, 9th and 10th years, from the deemed date of allotment (including the redemption premium as determined by an internal rate of return (“IRR”) at 10.9% on XIRR basis). The tenor of the NCDs is 10 years and the coupon rate payable on the NCDs is 4.0% per annum. In case of any default in the payment of principal or in case of any other event of default an additional interest will be payable by our Company.

The NCDs are secured by a first *pari passu* charge along with secured borrowings, on the fixed assets of our Company to the extent of 1.25 times of the outstanding amount of the NCDs.

Long Term Borrowings

Indian Rupee loan (“**Rupee Term Loan**”) of ₹ 15,000 million outstanding is secured by exclusive charge by way of hypothecation on residual value of movable fixed assets i.e. property, plant and machinery of our Company with a minimum coverage of 110.00% of the loan amount at any point of time. The loan is repayable by way of bullet instalments at the end of 36 months from the date of first disbursement, i.e., September 28, 2018.

Rupee Term Loan of ₹ 10,000 million outstanding is secured by a hypothecation through a residual and subservient charge over moveable current assets and movable fixed assets of our Company. The loan is repayable in eight equal quarterly instalments starting from the date of first disbursement.

Further, Indian Rupee loan (“**Petrochemical RTL**”) with indebtedness obligation equivalent to ₹ 26,902 million, are secured by a mortgage through first ranking *pari passu* charge, over the immovable and movable properties and assets, both present and future, of our Company pertaining to the petrochemical complex project, a second charge on the current assets of petrochemical complex project, both present and future, a charge, assignment or security interest of our Company’s rights, title and interests in, to and under all the assets of the petrochemical complex project and under each of the material project documents and the clearances, a first *pari passu* charge or assignment on the debt service reserve account and the designated accounts and accounts formed under the trust and retention account agreement of petrochemical complex

project, except debt service reserve account created with respect to specific separate facilities. The loan is repayable in 35 structured quarterly instalments starting from December 30, 2023.

Foreign currency loan from banks (“**Refinery ECB**”) with indebtedness obligation equivalent to ₹ 10,599 million are secured by a mortgage through first charge, ranking *pari passu* amongst the lenders, over all immovable and movable properties and assets of our Company, both present and future except assets pertaining to the petrochemical complex project. Further, these lenders hold second *pari passu* charge on the current assets except assets pertaining to the petrochemical complex project, hold a *pari passu* first charge/ assignment on the debt service reserve account and all other accounts formed under the trust and retention account agreement except pertaining to the petrochemical complex project. The loans are repayable in structured instalments starting from February 2022.

Foreign currency loan from banks (“**Refinery FCTL**”) with indebtedness obligation equivalent to ₹ 65,498 million are secured by a mortgage through first ranking *pari passu* charge over immovable and movable properties and assets of our Company, both present and future except current assets, a second charge on the current assets, a charge, assignment or security interest of our Company’s rights, title and interests under each of the material investment plan documents and the clearances, a first *pari passu* charge or assignment on the debt service reserve account and accounts formed under the trust and retention account agreement except the debt service reserve accounts, the debt payment accounts and the tax and statutory dues account. The loans are repayable in 36 structured quarterly instalments and have started from March 2018.

Foreign currency loan from banks (“**Petrochemical ECB**”) with indebtedness obligation equivalent to ₹ 6,203 million secured by a mortgage through first ranking *pari passu* charge, over immovable and movable properties and assets, both present and future, of our Company, pertaining to the petrochemical complex project. Further, these lenders shall hold second charge on the current assets of petrochemical complex project, both present and future, shall hold a charge, assignment or security interest on our Company’s rights, title and interests in, to and under all the assets of the petrochemical complex project and under each of the material project documents and the clearances, hold a first *pari passu* charge or assignment on the debt service reserve account and all other accounts formed under the designated accounts and trust and retention account agreement of petrochemical complex project. The outstanding loan is repayable in 18 structured half yearly instalments starting from December 31, 2023.

Short Term Borrowings

₹ 151 million indebtedness obligation in relation to Indian Rupee loan and ₹ 27,789 million with indebtedness obligation in relation to foreign currency loan is secured by first ranking *pari passu* charge, on current assets of our Company both present and future, first ranking charge or assignment on the accounts formed under the trust and retention account other than the debt service reserve accounts under the trust and retention account agreement and have a second on movable and immovable fixed assets our Company, both present and future except assets pertaining to the petrochemical complex project.

Unsecured Borrowings

Long Term Borrowings

U.S. Dollar Bond (“**US Bond**”) with indebtedness obligation equivalent to ₹ 25,844 million redeemable notes bearing an interest of 5.25% were issued on April 28, 2017 and shall mature on April 28, 2027.

Unsecured foreign currency loan with indebtedness obligation equivalent to ₹ 5,066 million is repayable in a bullet instalment at the end of 6 years and 10 months from the date of the last drawdown.

Unsecured foreign currency loan with indebtedness obligation equivalent to ₹ 10,233 million is repayable in two equal instalments on expiry of the 6th and 7th years.

The above loans (₹ 5,066 million and ₹ 10,233 million) are backed by letters of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited.

Unsecured foreign currency loan (the “**Foreign Term Loan**”) with indebtedness obligation equivalent to ₹ 4,893 million is repayable in a bullet instalment 3 years from the date of the first disbursement.

Loan from the GoP (the “**Punjab Loan**”) equivalent to ₹ 6,521 million is interest free. This loan is required to be repaid after the expiry of 66 months from the date of disbursement.

HMPL

Secured Borrowings

Non-Convertible Debentures

Non-convertible redeemable debentures (“**NCDs**”), being secured and Indian Rupee denominated, issued, on a private placement basis under series I and series II during 2012. The indebtedness obligation in terms of the aggregate nominal value of NCDs is ₹ 2,230 million and accrued interest, but not due, on debentures amounting to ₹ 1,395 million, series I issuance of which shall be redeemed at the end of the 10th year from the deemed date of allotment, and series II issuance of which shall be redeemed at the end of the 8th, 9th and 10th years, from the deemed date of allotment (including the redemption premium as determined by an internal rate of return (“**IRR**”) at 10.75% for both series). The coupon rate payable on the NCDs is 4.0% per annum. In case of any default in the payment of principal or in case of any other event of default an additional interest will be payable by our Company.

Long Term Borrowings

Foreign currency loan from banks (“**Pipelines ECB**”) with indebtedness obligation equivalent to ₹ 18,091 million are secured by a mortgage and first charge, ranking *pari passu* amongst the lenders, over all movable and immovable properties and assets of our 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 is repayable in two instalments starting from March 31, 2021.

Short Term Borrowings

Secured Indian Rupee loans with indebtedness obligation equivalent to ₹ 1,149 million to be repaid by the way of bullet repayment at the end of the respective tenor, the maximum tenor being six months from disbursement. The said loan is secured by a residual charge over the movable and immovable fixed assets of our Company.

Unsecured Borrowings

Short Term Borrowings

₹ 1,500 million represents commercial paper issued to investors on unsecured basis.

Prepayment

Each of the Rupee Term Loan and Foreign Term Loan may be voluntarily prepaid by us, together with interest accrued thereon and without imposition of any prepayment penalty, by giving the respective lenders an irrevocable notice in advance of 30 business days without any prepayment penalty.

Prepayment of the Refinery FCTL Facility may be prepaid by us, together with interest accrued thereon and without imposition of any prepayment penalty, by giving a notice in advance of 60 days to the respective lenders, where such prepayment is being made out of internal cash accruals or fresh issue of capital or on account of change in the base rate of the State Bank of India. These loans can be prepaid with 30 days’ notice with 1% prepayment premium to the lenders.

Covenants

Non-financial covenants: Refinery ECB, Refinery FCTL and Petrochemical ECB include various restrictive covenants, including, among others, an absolute right entitling the lenders to cancel their respective facilities that remain unutilised; payment of default interest in case of default by our Company in repayment of principal amounts under these borrowings or untimely payment of interest; cross default; and consent or intimation requirements for undertaking certain activities including in relation to changing our capital structure, incurring additional borrowings (other than permitted indebtedness) and undertaking any amalgamation, merger or reconstruction. The US Bond includes various restrictive covenants, including, among others, limitation on incurring indebtedness other than permitted indebtedness, limitation on creation of security, limitation on making of restricted payments, limitation on asset sales, limitation on affiliate transactions, limitation on business activities, limitation on consolidation, and merger or sale of all or substantially all of its properties and assets.

Financial covenants: We are also required to adhere to certain financial covenants under the Refinery ECB, Refinery FCTL and Petrochemical ECB including a current ratio, debt servicing coverage ratio, total debt gearing, fixed asset coverage ratio, debt-to-ebitda ratio and minimum security margins, as the case may be. Further, we are required to create and maintain a debt service reserve account under these facilities.

Events of default

In the event of a default, the lenders will be entitled to, among other things, cancel commitments, under the relevant facility arrangements. Events of default under the Refinery ECB, Refinery FCTL and Petrochemical ECB include: default in payment of any principal, interest, fee, or any other amount due, within the stipulated period of time, as per the terms of the respective financing agreements; failure to perform any material obligations by our Company which continues un-remedied for a specified period after receiving notice of such default from the lenders under the respective financing agreements; cross default; failure to perform, breach and non-compliance of any clearance required for the execution, delivery, performance and execution of any of the documents pertaining to the respective facilities; loss of title or the possession and usage rights in respect of all or a significant portion of our Refinery site or our petrochemical complex project, as the case may be; failure to create or perfect security under these facilities; liquidation or dissolution, commencement of bankruptcy/winding-up proceedings by or against our Company; cessation of business by our Company; change of control of our Company without prior approval of the lenders; institution of any administrative, regulatory, or judicial action /assertion of any environmental claim, which can have a material adverse effect on our Company; occurrence or existence of any event, conditions or circumstances which has had a material adverse effect on our Company which continues for a specified period from the date of determination of such adverse effect; any representation or warranty which is substantially incorrect and has a material adverse effect if unrectified within the prescribed period; failure to maintain any of the insurance as agreed among the lenders and our Company under the respective facilities; any provision of any facility documents becoming invalid, illegal or unenforceable, or any action taken by our Company or the Promoters, which challenges the validity or enforceability of the respective facility agreement; and/or any adverse orders of any court or actions taken by any government on our Company.

Events of default under the US Bond include: default in payment of any principal, premium (if any) or interest within the stipulated period of time; failure to perform one or more of the obligations by our Company which continues unremedied for a specified period of time after notice of such default by the trustee; cross-acceleration; failure to make payment in respect of any indebtedness on the due date (as extended by any originally applicable grace period); enforcement of any security of our Company; default by our Company in making any payment due under any guarantee or indemnity; winding up or dissolution of our Company; cessation of business by our Company; liquidation, insolvency, composition or reorganisation proceedings by or against our Company; seizure, compulsory acquisition, expropriation or

nationalisation of the assets of our Company; and any obligation of our Company under the US Bond becoming unenforceable. The following table lists our contractual obligations of Short Term Borrowings and Contractual maturities of Long Term Borrowings as of June 30, 2019:

Particulars	HMEL		HMPL		Consolidated	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
			<i>(in ₹ Millions)</i>			
0 – 1 year	3,550	27,940	—	2,649	3,550	30,589
2 – 3 years	53,026	—	21,717	—	74,743	—
4 – 8 years	113,453	—	—	—	113,453	—
Above 8 years	33,569	—	—	—	33,569	—
Total	203,598	27,940	21,717	2,649	225,315	30,589

The above figures represent principal amounts of borrowings inclusive of unamortised ancillary borrowing costs with deferred interest of NCDs.

The indebtedness of our Company has not changed materially since June 30, 2019. The Company has partially repaid its term loan and short term facilities of an aggregate amount of approximately ₹ 39,207 million. Further, the Company has availed term loan and short term facilities of approximately ₹ 36,205 million.

TERMS AND CONDITIONS OF THE NOTES

*The following, subject to completion and amendment and other than the sentences and paragraphs in italics, will be the text of the Terms and Conditions of the Notes (the “**Conditions**”), which will be attached to the global Notes and will appear on the reverse of any Definitive Notes (as defined below). Except as described under “Summary of Provisions Relating to the Notes in Global Form”, Definitive Notes will not be issued in exchange for the global Notes. See “Summary of Provisions Relating to the Notes in Global Form” for a summary of the registration, payment, transfer and other procedures that apply when the Notes are in global form.*

The U.S.\$ 300,000,000 in aggregate principal amount of 5.45 per cent. notes due 2026 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) issued by HPCL-Mittal Energy Limited (the “**Company**”) are constituted by a trust deed dated the Issue Date (as defined below) (as may be amended, supplemented or restated from time to time, the “**Trust Deed**”) between the Company and Citicorp International Limited (the “**Trustee**”, which expression shall include all Persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined in Condition 1 (*Form, Denomination and Title*)). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Definitive Notes (as defined below). Copies of the Trust Deed and of the Agency Agreement dated the Issue Date (as may be amended, supplemented or restated from time to time, the “**Agency Agreement**”) relating to the Notes between the Company and the Agents (as defined below), are available for inspection during usual business hours at the principal office of Citibank N.A., London Branch as principal paying agent at c/o Citibank N.A., Dublin Branch, Ground Floor, North Wall Quay, Dublin 1, Ireland (the “**Principal Paying Agent**” and, together with any other paying agent appointed under the Agency Agreement, the “**Paying Agents**”), the registrar (the “**Registrar**”) and the transfer agents (the “**Transfer Agents**” and together with the Paying Agents and the Registrar, the “**Agents**”). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the provisions of the Agency Agreement applicable to them. Certain terms used herein are defined in Condition 4.11 (*Definitions*). Capitalized terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

*The owners shown in the records of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the provisions of the Agency Agreement applicable to them.*

1 Form, Denomination and Title

1.1 Form and Denomination

The Notes are in registered form in amounts of U.S.\$200,000 each and higher integral multiples of U.S.\$1,000 (each, an “**authorised denomination**”). A definitive certificate (each, a “**Definitive Note**”) will be issued to each Noteholder in respect of its registered holding or holdings of Notes. Each Definitive Note will be numbered serially with an identifying number, which will be recorded in the register (the “**Register**”), which the Company shall procure to be kept by the Registrar at its specified office. Save as provided in Condition 2.1 (*Transfer, Issue and Delivery*), each Definitive Note shall represent the entire holding of the Notes by the same Noteholder.

1.2 Title

Title to the Notes passes only by and upon registration in the Register. In these Conditions, “**Noteholder**” and “**holder**” means the Person in whose name a Note is registered in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any

interest in it or any writing on, or theft or loss of, the Definitive Note issued in respect of it) and no Person will be liable for so treating the holder. No Person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy which exists or is available from such Act.

2 Transfers of Notes and Issue of Definitive Notes

2.1 Transfer, Issue and Delivery

A Note may be transferred in whole or in part in an authorised denomination upon the surrender of the Definitive Note issued in respect of that Note, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor within five Business Days (as defined in Condition 7.2 (*Payment Initiation*) hereof) of receipt of such form of transfer and sent by uninsured mail at the risk of the holder (but free of charge to the holder and at the Company's expense) to the address of the holder appearing in the Register. In the case of a transfer of Notes to a person who is already a Noteholder, a new Definitive Note representing the enlarged holding shall only be issued against surrender of the Definitive Note representing the existing holding. Each new Definitive Note to be issued upon a transfer of Notes will, within five Business Days of receipt of such form of transfer, be sent by uninsured mail at the risk of the holder entitled to the Note in respect of which the relevant Definitive Note is issued to such address as may be specified in such form of transfer. Notes may be transferred in accordance with this Condition 2 (*Transfers of Notes and Issue of Definitive Notes*) and the Agency Agreement but not otherwise exchanged. No transfer of a Note shall be valid unless and until entered into the Register.

2.2 Formalities Free of Charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Company, the Registrar or any Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

2.3 Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal and premium (if any) and/or interest on that Note or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7 (*Payments*)).

2.4 Regulations Concerning Transfer and Registration

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Company with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by mail by the Registrar to any Noteholder upon request.

3 Status

The Notes constitute (subject to Condition 4.1 (*Negative Pledge*)) direct, general, unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Notes shall at all times rank at least *pari passu* with all of its other present and future outstanding unsecured and unsubordinated obligations but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4 Covenants

4.1 Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Company will not, and will not permit any of its Restricted Subsidiaries to, create or permit to subsist any Security upon the whole or any part of its undertaking or assets, present or future, to secure any Relevant Debt or any guarantee or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, the Company's obligations under the Notes and the Trust Deed: (x) are secured equally and ratably therewith on substantially identical terms thereto, in each case to the satisfaction of the Trustee; or (y) have the benefit of such other Security or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders.

4.2 Limitation on Indebtedness

So long as any of the Notes remain outstanding, the Company will not, and will not permit any of its Restricted Subsidiaries to, Incur, directly or indirectly, any Indebtedness, unless, after giving *pro forma* effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom:

- (1) no Default would occur as a consequence of such Incurrence or be continuing following such Incurrence; and
- (2) the ratio of (i) Total Long-Term Debt to (ii) Tangible Net Worth for the Company's most recently ended semi-annual or annual period in any financial year for which consolidated financial statements of the Company are available immediately preceding the date on which such Indebtedness is incurred (the "**Consolidated Leverage Ratio**"), shall not be greater than 3.0:1.0;

provided, however, that this Condition 4.2 (*Limitation on Indebtedness*) shall not apply to:

- (a) Indebtedness under the Notes (excluding any Additional Notes);
- (b) Indebtedness existing as at the Issue Date;
- (c) Indebtedness ("**Permitted Refinancing Indebtedness**") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "**refinance**", "**refinancing**", "**refinances**" and "**refinanced**" shall have a correlative meaning) then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that was refinanced substantially concurrently with but in any case no earlier than 30 days before the Incurrence of such Permitted Refinancing Indebtedness) permitted to be Incurred under this Condition 4.2 (*Limitation on Indebtedness*) and any refinancing thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses), *provided* that, such Indebtedness to be refinanced is fully and irrevocably repaid no later than 60 days after the Incurrence of such new Indebtedness;
- (d) Indebtedness of the Company with a maturity of one (1) year or less used by the Company for working capital purposes (or any guarantee or indemnity given by the Company in relation thereto); *provided, however, that* such use is solely in relation to the procurement of crude oil;
- (e) Indebtedness in the form of (i) interest free loans, (ii) taxes payable and/or (iii) grants, in each case provided to the Company by the Government of the Republic of India or any state government in the Republic of India;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any of its Restricted

Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

- (g) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary, which Indebtedness was permitted to be Incurred by another provision of this Condition 4.2 (*Limitation on Indebtedness*);
- (h) the Incurrence by the Company or any Restricted Subsidiary of any Indebtedness owed to the Company or any Restricted Subsidiary; *provided*, however, that (A) if the Company is the obligor on any such Indebtedness, such Indebtedness is unsecured and expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, and (B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or the Restricted Subsidiary, as the case may be, that was not permitted by this clause (h);
- (i) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; *provided*, however, that such Indebtedness is extinguished within five Business Days;
- (j) Indebtedness of the Company or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, regulation or rule, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;
- (k) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Company or of a Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Company's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; *provided*, however, that the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and/or the relevant Restricted Subsidiary in connection with the disposition;
- (l) obligations with respect to trade letters of credit, performance and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond or guarantee; and
- (m) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed U.S.\$50.0 million (or the Dollar Equivalent thereof).

The Consolidated Leverage Ratio shall be calculated and interpreted on a consolidated basis.

4.3 Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of the Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of Capital Stock of the Company (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other voluntary or optional acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness owed by (i) any Restricted Subsidiary to the Company or (ii) the Company to any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment,

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least U.S.\$1.00 of Indebtedness under the Consolidated Leverage Ratio described in sub-clause (2) under Condition 4.2 (*Limitation on Indebtedness*); or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after 1 January 2017, shall exceed the sum of:
 - (i) 50 per cent. of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, *minus* 100.0 per cent. of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on 1 January 2017 and ending on the last day of the Company’s most recently ended semi-annual or annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available and have been provided to the Trustee at the time of such Restricted Payment; *plus*
 - (ii) 100 per cent. of the aggregate Net Cash Proceeds received by the Company after 1 January 2017 as a capital contribution to its common equity by, or from the issuance and sale of, its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other

than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company or any Restricted Subsidiary; *plus*

- (iii) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange subsequent to 1 January 2017 of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (*less* the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *provided*, however, that the foregoing amount shall not exceed the net cash proceeds received by the Company from the Incurrence of such Indebtedness; *plus*
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after 1 January 2017 in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after 1 January 2017, (B) the unconditional release of a guarantee provided by the Company or a Restricted Subsidiary after 1 January 2017 of an obligation of another Person, (C) to the extent that an Investment made after 1 January 2017 is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) the re-designations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after 1 January 2017 in any such Person and treated as a Restricted Payment.

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or irrevocable redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) (A) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary to, or (B) the redemption, repurchase, defeasance or other acquisition by a Restricted Subsidiary of any shares of its Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) from, the holders of such Restricted Subsidiary's Capital Stock, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company, in each case on a pro rata basis or on a basis more favorable to the Company;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or such Restricted

Subsidiary (or options, warrants or other rights to acquire such Capital Stock); *provided, however, that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

- (4) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of a Restricted Subsidiary issued on or after 28 April 2017 that was permitted to be issued pursuant to the first paragraph of the covenant described under Condition 4.2 (*Limitation on Indebtedness*);
- (5) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided, however, that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (6) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company with the net cash proceeds of, or in exchange for, a substantially concurrent Incurrence of Subordinated Indebtedness issued in exchange for, or the net proceeds of which are used to, refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend, such Subordinated Indebtedness;;
- (7) Investments in any Person, when taken together with all other Investments made pursuant to this clause (7) that are at that time outstanding, not to exceed U.S.\$20.0 million (or the Dollar Equivalent thereof);
- (8) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiaries (or options, warrants or other rights to acquire such Capital Stock) held by any future, current or former officer, director or employee of the Company or any direct or indirect parent entities or Restricted Subsidiaries (or any such Person's assigns, estates or heirs) pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar plans or other contractual arrangements or agreements; *provided, however, that* the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed U.S.\$2.5 million (or the Dollar Equivalent thereof) in any fiscal year;
- (9) (i) the repurchase of Capital Stock deemed to occur upon the exercise of options, warrants or other rights in respect thereof if such Capital Stock represents all or a portion of the exercise price thereof and (ii) repurchases of Capital Stock deemed to occur upon the withholding of a

portion of the Capital Stock granted or awarded to a director, employee or consultant to pay for the taxes payable by such director, employee or consultant upon such grant or award; and

- (10) Restricted Payments by the Company or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of any such Person;

provided, however, that, in the case of clauses (2), (3) and (4) of this paragraph, no Event of Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to clauses (1), (7) and (8) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this Condition 4.3 (*Limitation on Restricted Payments*) have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities (other than cash) that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of any assets (including securities) other than cash in a Restricted Payment or a series of related Restricted Payments must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized standing if the expected Fair Market Value exceeds U.S.\$10.0 million (or the Dollar Equivalent thereof) and such determination must be contained in a Board Resolution set forth in an Officer's Certificate that is provided to the Trustee.

Not later than the date of making any Restricted Payment in excess of U.S.\$10.0 million (or the Dollar Equivalent thereof) (other than Restricted Payments set forth in clause (5) of the second paragraph of this Condition 4.3 (*Limitation on Restricted Payments*), the Company will deliver to the Trustee an Officer's Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Condition 4.3 (*Limitation on Restricted Payments*) covenant were computed.

4.4 Limitation on Asset Sales

So long as any of the Notes remain outstanding, the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate any Asset Sale, unless:

- (1) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (2) at least 75 per cent. of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided, however, that* in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of 2.5 per cent. of Fixed Assets (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion of fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing. For purposes of this Condition 4.4 (*Limitation on Asset Sales*), each of the following will be deemed to be "cash":
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the

transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from or indemnifies them against further liability; and

- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 90 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.
- (3) Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or the applicable Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to:
 - (a) subject to the ECB Directions (as defined below), permanently repay any Senior Indebtedness (and if any such Indebtedness is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto), in each case owing to a Person other than the Company or a Restricted Subsidiary;
 - (b) make capital expenditures or acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or properties or assets (other than current assets) that are used or will be used in the Permitted Businesses, acquire all or substantially all of the assets of or the Capital Stock of, a Person, or a line of business, the primary business of which is a Permitted Business, or any combination of the foregoing, in each case (“**Replacement Assets**”); or
 - (c) fund the operating requirements of the Company or a Restricted Subsidiary;

provided, however, that, pending the application of Net Cash Proceeds in accordance with clauses (a) or (b) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments or be used to temporarily reduce revolving credit Indebtedness.

- (4) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (3) will constitute “**Excess Proceeds**”. Excess Proceeds of less than the greater of U.S.\$20.0 million (or the Dollar Equivalent thereof) and 1.0 per cent. of Fixed Assets (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds the greater of U.S.\$20.0 million (or the Dollar Equivalent thereof) and 1.0 per cent. of Fixed Assets (or the Dollar Equivalent thereof), subject to the ECB Directions from time to time, within ten (10) Business Days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:
 - (a) accumulated Excess Proceeds, multiplied by
 - (b) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all Senior Indebtedness, in any such case similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest U.S.\$1,000.

The offer price in any Offer to Purchase will be equal to 100.0 per cent. of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes tendered in such Offer to Purchase exceeds the amount of Excess Proceeds

the Notes will be purchased from each Noteholder on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

4.5 Limitation on Affiliate Transactions

The Company will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, enter into, renew or extend any transaction or arrangement (or service of related transactions or arrangements) (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5 per cent. or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each, an “**Affiliate Transaction**”), involving aggregate payments or consideration in excess of the greater of U.S.\$10.0 million (or the Dollar Equivalent thereof) and 0.3 per cent. of Fixed Assets (or the Dollar Equivalent thereof), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of the greater of U.S.\$20.0 million (or the Dollar Equivalent thereof) and 0.6 per cent. of Fixed Assets (or the Dollar Equivalent thereof), an Officer’s Certificate (which is later ratified in a Board Resolution) certifying that such Affiliate Transaction complies with this Condition 4.5 (*Limitation on Affiliate Transactions*) and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; *provided, however, that*, if no disinterested member of the Board of Directors exists with respect to any Affiliate Transaction, the transaction may be approved by a majority of the members of the Board of Directors if the requirements of clause (2)(b) below are met with respect to such Affiliate Transaction as if it involved aggregate consideration in excess of the greater of U.S.\$20.0 million (or the Dollar Equivalent thereof) and 0.6 per cent. of Fixed Assets (or the Dollar Equivalent thereof); and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$25.0 million (or the Dollar Equivalent thereof), in addition to the Officer’s Certificate required in clause (2)(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) any employment or compensation agreement (whether based in cash or securities), officer or director indemnification agreement, severance or termination agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries and payments pursuant thereto and any transactions pursuant to stock option plans, stock ownership plans and employee benefit plans or similar arrangements approved by the Board of Directors in each case in the ordinary course of business;
- (2) the payment of reasonable and customary fees and reimbursement of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

- (3) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries which are entered into in the ordinary course of business;
- (4) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described above under Condition 4.3 (*Limitation on Restricted Payments*) if permitted by that covenant;
- (5) any sale of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock) or any contribution of capital to the Company that is permitted under Condition 4.2 (*Limitation on Indebtedness*);
- (6) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Company or any of its Restricted Subsidiaries; *provided, however, that* such agreement was not entered into in contemplation of such acquisition or merger;
- (7) any purchases by the Company's Affiliates of Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries where at least 90.0 per cent. of such Indebtedness or Disqualified Stock is purchased by Persons who are not Affiliates of the Company;
- (8) transactions contemplated pursuant to agreements or arrangements in effect on the Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof that is not materially more disadvantageous to the Company than the agreement or arrangement in effect on the Issue Date;
- (9) transactions with customers, clients, contractors, purchasers or suppliers of goods (including equipment or property) or services (including administrative, cash management, legal and regulatory, engineering, technical, financial, accounting, procurement, marketing, insurance, labor, management, operation and maintenance, power supply and other services) or insurance or lessors or lessees or providers of employees or other labor or property, in each case in the ordinary course of business and that are fair or on terms at least as favorable as arm's length as determined in good faith by the Board of Directors of the Company;
- (10) transactions between the Company and HPCL in accordance with the Product Off-take Agreement and any other transactions which are reasonably related, complimentary or ancillary thereto; and
- (11) transactions permitted by, and complying with, the covenant described under Condition 4.7 (*Consolidation, Merger and Sale of Assets*).

In addition, the requirements of clause (2) of the first paragraph of this Condition 4.5 (*Limitation on Affiliate Transactions*) shall not apply to any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided, however, that* none of the minority shareholders or minority partners of or in such non-Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this Condition 4.5 (*Limitation on Affiliate Transactions*) (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary) and the requirement of clause (2)(b) of the first paragraph of this Condition 4.5 (*Limitation on Affiliate*

Transactions) shall not apply to transactions with concessionaires, licensees, customers, clients, suppliers, vendors or purchasers or sellers of goods or services, derivatives, insurance or Hedging Obligations or lessors or lessees or providers of employees or other labor or property, in the ordinary course of business.

4.6 Limitation on Business Activities

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, engage in any business other than Permitted Businesses.

4.7 Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into, another Person, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (as an entirety or substantially an entirety in one transaction or series of related transactions) to any Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation incorporated and validly existing under the laws of India, the United Kingdom, any member of the European Union, the United States, Switzerland, Canada, Australia or Singapore or any jurisdiction thereof and shall expressly assume, by a deed supplemental to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Company under the Trust Deed and the Notes, and the Trust Deed and the Notes shall remain in full force and effect;
- (2) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness which becomes an obligation of the Company or the Surviving Person as having been Incurred at the time of such transaction), no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Tangible Net Worth equal to or greater than the Tangible Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least U.S.\$1.00 of Indebtedness under the Consolidated Leverage Ratio described in sub-clause (2) under Condition 4.2 (*Limitation on Indebtedness*); and
- (5) the Company delivers to the Trustee an Officer’s Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 4.7(3) and 4.7(4)) stating that such consolidation, merger or transfer and such supplemental trust deed complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

For the avoidance of doubt, this Condition 4.7 (*Consolidation, Merger and Sale of Assets*) shall not apply to a consolidation or merger of any Subsidiary with and into the Company, so long as the Company survives such consolidation or merger.

This Condition 4.7 (*Consolidation, Merger and Sale of Assets*) shall not apply to any reorganization of any Subsidiary of the Company, approved by a competent court, by which any or all of the shareholding, interest, or rights in infrastructure assets of such Subsidiary are transferred to and vested in a trust registered under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended (the “**InvIT Regulations**”), so long as such Subsidiary remains a “sponsor” of such trust (as such term is defined and construed under the InvIT Regulations); *provided that*, for the avoidance of doubt, any such transfer shall be in compliance with Condition 4.4 (*Limitation on Asset Sales*).

4.8 Suspension of Covenants

If, on any date following the date of the Trust Deed, the Notes are rated Investment Grade from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, (i) at which the Notes cease to be rated Investment Grade from either of the Rating Agencies or (ii) an Event of Default occurs and is continuing, the following Conditions will not apply to the Notes:

- (1) Condition 4.2 (Limitation on Indebtedness);
- (2) Condition 4.3 (Limitation on Restricted Payments); and
- (3) Condition 4.4 (Limitation on Asset Sales).

The covenants under the Conditions listed in this Condition 4.8 (*Suspension of Covenants*) will be reinstated and apply according to their terms as at and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken in compliance with the provisions of the Trust Deed during the continuance of the Suspension Event, and no Default will be deemed to have occurred as a result of a failure to comply with such covenants during such period.

4.9 Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided, however, that* (1) no Default shall have occurred and be continuing at the time of, or after giving effect to, such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified Stock or Preferred Stock of a Restricted Subsidiary or hold any Indebtedness of, or any Security on any property of, the Company or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under the covenant described under Condition 4.2 (*Limitation on Indebtedness*) or such Security would violate the covenant described under Condition 4.1 (*Negative Pledge*); (3) such Restricted Subsidiary does not own any Equity Interest of another Restricted Subsidiary (other than Restricted Subsidiaries concurrently designated to be Unrestricted Subsidiaries in accordance with this covenant), and all of such Restricted Subsidiary’s Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently re-designated would be permitted to be made by the covenant described under Condition 4.3 (*Limitation on Restricted Payments*).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however, that* (1) no Default shall have occurred and be continuing at the time of, or after giving effect to, such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under Condition 4.2 (*Limitation on Indebtedness*); (3) any Security on the property of such Unrestricted Subsidiary at the time of such designation, which Security will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation, would be permitted to be Incurred by the covenant described under Condition 4.1 (*Negative Pledge*); and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

All designations must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

4.10 Reporting

So long as any of the Notes remain outstanding, the Company will deliver to the Trustee, as soon as practicable but in any event not more than 10 calendar days after they are filed with The National Stock Exchange of India Limited (“NSE”) and BSE Limited (“BSE”) or any other recognized exchange on which the Company’s Capital Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange, unless such report has been made generally available on the website of the Company or such recognized stock exchange and not otherwise requested by the Trustee or the Noteholders; *provided, however, that* if at any time the Capital Stock of the Company is not or ceases to be listed for trading on a recognized exchange, the Company will deliver to the Trustee, as soon as practicable, but in any event within 90 calendar days after the end of its second quarter and 180 calendar days after its fiscal year-end, copies of its financial statements (on a consolidated basis and in the English language) in respect of such six-month period or fiscal year-end period, as the case may be, reviewed and abridged (in the case of the semi-annual financial statements) and audited (in the case of the fiscal year-end financial statements) by a member firm of an internationally recognized firm of independent accountants.

4.11 Definitions

Set forth below are defined terms used in these Conditions. Reference is made to the Trust Deed for other capitalized terms used in these Conditions for which no definition is provided.

“**Affiliate**” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or (other than solely as a result of being commonly controlled by the Government of the Republic of India or a subdivision thereof) under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step child, parent or step parent, brother, sister, step brother or step sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2).

“**Applicable Accounting Principles**” means the accounting principles and provisions of IND-AS applicable to the Company and its Subsidiaries as in effect from time to time.

“**Applicable Redemption Premium**” means, with respect to any Note on any redemption date, the greater of:

- (a) 1.0 per cent. of the principal amount of such Note; and
- (b) the excess of:
 - (i) the present value at such redemption date of: (x) the redemption price as at 22 October 2023 (such redemption price being set forth in the table appearing above under the “— Optional Redemptions”); *plus* (y) all required remaining interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and 22 October 2023 (but excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the U.S. Treasury Rate at such redemption date plus 50 basis points; over
 - (ii) the outstanding principal amount of such Note on such redemption date.

“**Asset Sale**” means any sale, transfer or other disposition (including by way of merger or consolidation) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related

transactions by the Company or any Restricted Subsidiary to any Person; *provided that* “**Asset Sale**” shall not include:

- (a) any single transaction or series of related transactions that involves Fixed Assets having a Fair Market Value of less than 2.5 per cent. of Fixed Assets (or the Dollar Equivalent thereof);
- (b) sales or other dispositions of inventory, receivables and other assets in the ordinary course of business;
- (c) sales, transfers or other dispositions of assets constituting a Permitted Investment or a Restricted Payment permitted to be made by the covenant described under Condition 4.3 (*Limitation on Restricted Payments*);
- (d) any sale, conveyance, transfer or other disposition of property or assets, or the issuance of securities, by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Wholly Owned Restricted Subsidiary which is otherwise permitted under the Trust Deed;
- (e) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or the Restricted Subsidiaries;
- (f) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Security permitted by the Trust Deed;
- (g) a transaction covered by the first paragraph of the covenant described under Condition 4.7 (*Consolidation, Merger and Sale of Assets*);
- (h) the sale or other disposition of cash or Temporary Cash Investments;
- (i) the lease, license, assignment or sublease of any real or personal property in connection with the Permitted Business;
- (j) any transfer, termination, unwinding or other disposition of Hedging Obligations in accordance with the terms thereof;
- (k) any surrender, expiration or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (l) licenses, sub-licences, grants, leases and sub-leases (as lessee, sub-lessee, lessor, sub-lessor, licensee, sub-licensee, licensor, sub-licensor or grantee) of software, patents, trademarks, know-how or any other intellectual property, general intangibles or other property (including real or tangible property) in the ordinary course of business; or
- (m) transfers resulting from any casualty or condemnation of property.

“**Board of Directors**” means the board of directors of the Company elected or appointed by the general meeting of shareholders of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“**Board Resolution**” means any resolution of the Board of Directors (or any committee thereof) taking an action which it is authorized to take and adopted at a meeting duly called and held or adopted by duly executed written resolution of the Board of Directors.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) in the equity capital of such Person, whether outstanding on the Issue Date or issued thereafter,

including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity capital.

“Change of Control” means the occurrence of one or more of the following events:

- (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company to any Person, other than to the Permitted Holders or to any Persons controlled by the Permitted Holders;
- (b) the Company fails to execute an agreement with HPCL (or, if applicable, any successor Government Controlled Person which HPCL has consolidated with, or merged into) by no later than six (6) months prior to 12 December 2026 in order to extend the term of the Product Off-take Agreement on substantially identical terms as the terms in place under such agreement as of the Issue Date for a minimum term of forty-eight (48) months after the Stated Maturity of the Notes;
- (c) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any Person or Persons, acting together, other than to the Permitted Holders or to any Persons controlled by the Permitted Holders;
- (d) HPCL (or, if applicable, any successor Government Controlled Person which HPCL has consolidated with, or merged into) ceases to be the beneficial owner, directly or indirectly, of at least 26.0 per cent. in the aggregate of the voting power of the Voting Stock of the Company;
- (e) HPCL (or, if applicable, any successor Government Controlled Person which HPCL has consolidated with, or merged into), together with any other Person or Persons, ceases to control, directly or indirectly, the Company; or
- (f) the adoption of a plan relating to the liquidation or dissolution of the Company;

provided that, notwithstanding the above, no Change of Control shall be said to have occurred if any or all of the shareholding, interest, or rights in infrastructure assets of any Subsidiary of the Company are transferred (including, without limitation, by way of sale or exchange or swap) to and vested in a trust registered under the InvIT Regulations, so long as such Subsidiary of the Company remains a “sponsor” of such trust (as such term is defined and construed under the InvIT Regulations).

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Commodity Hedging Agreement” means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

“Common Stock” means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Consolidated Net Income” means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated

basis, determined in conformity with Applicable Accounting Principles; *provided, however, that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (a) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that, subject to the exclusion contained in clause (e) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (c) below);
- (b) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of the Restricted Subsidiaries;
- (c) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (d) the cumulative effect of a change in accounting principles;
- (e) any net after tax gains realized on the sale or other disposition of (i) any property or asset of the Company or any Restricted Subsidiary that is not sold in the ordinary course of its business or (ii) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or of any Restricted Subsidiary);
- (f) any translation gains and losses due solely to fluctuations in currency values and related tax effects;
- (g) any extraordinary or exceptional gains or losses, charges or expenses;
- (h) non-cash expenses attributable to movements in the mark-to-market valuation of Hedging Obligations; and
- (i) amortization of or charges or expenses relating to deferred financing fees, debt issuance costs, commissions, fees and expenses, expensing of any bridge, commitment or other financing fees.

"control" (including, with correlative meanings, the terms **"controlling," "controlled by"** and **"under common control with"**), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Currency Hedging Agreement" means any currency swap agreement, currency cap agreement, currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

"Default" means any event which is, or after the giving of notice, the making of a determination or the passage of time or any combination of the foregoing would be, an Event of Default.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars, obtained by converting

such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes.

“Equity Interests” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Equity Offering” means a public or private sale either (1) of Equity Interests of the Company by the Company (other than Disqualified Stock and other than a sale to a Subsidiary of the Company), or (2) of Equity Interests of a direct or indirect parent entity of the Company (other than to the Company or a Subsidiary of the Company) to the extent that the net proceeds therefrom are contributed to the common equity capital of the Company.

“Event of Default” has the meaning assigned thereto in Condition 9 (*Events of Default*).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Extraordinary Resolution” has the meaning given to that term in the Trust Deed.

“Fair Market Value” means the price that would be paid in an arm’s length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors or any person(s) authorized by the Board of Directors, whose determination shall be conclusive if evidenced by or a certificate from the same or a Board Resolution.

“Fitch” means Fitch Ratings Ltd. and its successors and assigns.

“Fixed Assets” means assets classified as “fixed assets” in the Company’s consolidated financial statements prepared in accordance with Applicable Accounting Principles.

“Government Controlled Person” means any Person who is controlled by the Government of the Republic of India.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however, that* the term “guarantee” shall not include endorsements for collection or deposits in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

“HPCL” means Hindustan Petroleum Corporation Limited, a corporation with limited liability incorporated under the laws of the Republic of India.

“Incur” means, with respect to any Indebtedness, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness; *provided, however, that* the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock (to the extent provided for when the Indebtedness or Preferred Stock on which such interest or dividend is paid was originally issued) shall not be considered an Incurrence of Indebtedness. The terms **“Incurrence,” “Incurred”** and **“Incurring”** have meanings corresponding with the foregoing.

“IND-AS” means Indian Accounting Standards as prescribed under Section 133 of Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015, as amended.

“Indebtedness” means any indebtedness Incurred by the Company and its Restricted Subsidiaries in respect of (without duplication):

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with Applicable Accounting Principles, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction having the commercial effect of a borrowing and required by Applicable Accounting Principles to be shown as a borrowing on the balance sheet of the Company;
- (g) Hedging Obligations or any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) shares which are expressed to be redeemable on or before 22 October 2026;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, other than any such instrument to the extent such instrument is not drawn upon; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above,

if and to the extent that any of the preceding items (other than items described in clauses (b), (d), (g), (i) and (j) above) would appear as a liability upon a balance sheet of the specified Person in accordance with Applicable Accounting Principles.

For the avoidance of doubt, Subordinated Indebtedness will not constitute Indebtedness.

“Investment” means:

- (a) any direct or indirect advance, loan or other extension of credit to another Person;

- (b) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (c) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (d) any guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under Condition 4.3 (*Limitation on Restricted Payments*) and Condition 4.9 (*Designation of Restricted and Unrestricted Subsidiaries*): (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's direct or indirect proportionate interest in the assets (net of the liabilities owed to any Person other than the Company or a Subsidiary and that are not guaranteed by the Company or a Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Interest Rate Hedging Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

"Investment Grade" means (i) a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's, or any of its successors or assigns, (ii) a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns or (iii) the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody's or Fitch or any one or more of them, as the case may be.

"Issue Date" means 22 October 2019.

"Moody's" means Moody's Investors Service and its successors and assigns.

"Nationally Recognized Statistical Rating Organization" has the meaning assigned to that term in Section 3(a)(62) of the Exchange Act.

"Net Cash Proceeds" means:

- (1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

- (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that is either (x) secured by a Security on the property or assets sold, or (y) required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with Applicable Accounting Principles; and
 - (e) all distributions and other payments required to be made to minority interest holders in Subsidiaries as a result of such Asset Sale or the distribution of proceeds from such Asset Sale made by a Subsidiary; and
- (2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer by the Company to purchase Notes from the holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each holder at its last address appearing in the Note register stating.

- (a) the provision in the Trust Deed pursuant to which the offer is being made and that all Notes validly tendered will be accepted for purchase and payment by the Company on a *pro rata* basis;
- (b) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the **“Offer to Purchase Payment Date”**);
- (c) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (d) that, unless the Company defaults in the payment of the purchase price, any Note accepted for purchase and payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (e) that holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (f) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third (3rd) Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such holder, the principal amount of Notes delivered for purchase and a statement that such holder is withdrawing his election to have such Notes purchased; and
- (g) that holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the non-purchased portion of the Notes surrendered; *provided, however,*

that each Note purchased and each new Note issued shall be in a principal amount of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000.

One (1) Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Principal Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for purchase and payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Principal Paying Agent all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Registrar shall promptly authenticate and mail to such holders a new Note equal in principal amount to any non-purchased portion of the Note surrendered; *provided, however, that* each Note purchased and each new Note issued shall be in a principal amount of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The Offer to Purchase is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The Offer to Purchase is required to contain all instructions and materials necessary to enable such holders to tender Notes pursuant to the Offer to Purchase.

"Offering Memorandum" means the offering memorandum dated 15 October 2019 prepared in connection with the issue of the Notes, as amended or supplemented.

"Officer" means a director or any executive officer of the Company.

"Officer's Certificate" means a certificate signed by one Officer.

"Opinion of Counsel" means a written opinion in form and substance satisfactory to the Trustee from independent legal advisers of recognized standing.

"Permitted Business" means any business, service or activity conducted or proposed to be conducted (as described in the Offering Memorandum) by the Company and its Subsidiaries on the Issue Date and other businesses reasonably related, complementary or ancillary thereto.

"Permitted Holders" means any or all of the following:

- (a) HPCL (or, if applicable, any successor Government Controlled Person for which HPCL has consolidated with, or merged into);
- (b) Mittal Energy Investment Pte Ltd, Singapore; and
- (c) any Affiliate of any of the Persons referred to in clauses (a) or (b) above.

"Permitted Investment" means:

- (a) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a

Restricted Subsidiary that is primarily engaged in a Permitted Business or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

- (b) cash or Temporary Cash Investments;
- (c) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with Applicable Accounting Principles;
- (d) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or a Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (e) Investments consisting of consideration received in connection with an Asset Sale and made in compliance with the covenant described under Condition 4.4 (*Limitation on Asset Sales*);
- (f) loans or advances to vendors, contractors, suppliers, distributors or service providers, including advance payments for equipment and machinery made to the manufacturer or supplier thereof, of the Company or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;
- (g) any Investments not in existence on the Issue Date in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (g) that are at that time outstanding, not to exceed U.S.\$50.0 million (or the Dollar Equivalent thereof);
- (h) any Investments received in compromise, resolution or satisfaction of (a) obligations of trade creditors or customers that were incurred in connection with the Permitted Business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (i) loans or advances to employees made in the ordinary course of business in an aggregate principal amount not to exceed U.S.\$5.0 million (or the Dollar Equivalent thereof) at any one time outstanding;
- (j) repurchases of the Notes;
- (k) Investments consisting of endorsement of negotiable instruments and documents in the ordinary course of business;
- (l) notes payable, receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (m) (i) pledges or deposits made in the ordinary course of business to secure payment of utility contracts or (ii) Investments consisting of earnest money deposits or escrowed money required in connection with any acquisition, joint venture or acquisition of assets not otherwise prohibited by the Trust Deed; and
- (n) an acquisition of assets used in a Permitted Business or Capital Stock in a Person engaged in a Permitted Business by the Company or a Restricted Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Preferred Stock**” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

“**Product Off-take Agreement**” means the product off-take agreement between the Company and HPCL dated 7 November 2008 pursuant to which HPCL has agreed to be the sole purchaser and marketer for all of the liquid petroleum products manufactured by the Company until 12 December 2026.

“**Rating Agencies**” means (a) Moody’s and Fitch and (b) if Moody’s or Fitch or any one or more of them shall not make a rating of the Notes publicly available, one or more Nationally Recognized Statistical Rating Organizations, as the case may be, selected by the Company, which shall be substituted for Moody’s or Fitch or any one or more of them, as the case may be.

“**Rating Category**” means (a) with respect to Moody’s, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories), (b) with respect to Fitch, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C”, and “D” (or equivalent successor categories) and (c) the equivalent of any such category of Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for Fitch; 1, 2 and 3 for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, a decline in a rating from “BB+” to “BB” as well as from “BB” to “B+”, will constitute a decrease of one gradation).

“**Rating Date**” means in connection with a Change of Control Triggering Event under Condition 6.3 (Redemption for Change of Control Triggering Event), the date which is 90 days prior to the earlier of (x) a Change of Control and (y) the initial public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control.

“**Rating Decline**” means in connection with a Change of Control Triggering Event under Condition 6.3 (*Redemption for Change of Control Triggering Event*), the occurrence on, or within six (6) months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below.

- (a) in the event the Notes are rated by one or more Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any such Rating Agency shall be below Investment Grade; and
- (b) in the event the Notes are rated below Investment Grade by one or more Rating Agencies on the Rating Date, the rating of the Notes by any such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“**Relevant Debt**” means any present or future Indebtedness of the Company or any other Person in the form of, or represented by, bonds, notes, loan stock or other securities, which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, have an original maturity of more than one (1) year from their date of issue and are denominated, payable or optionally payable in a currency other than Rupees or are

denominated in Rupees and more than 50.0 per cent. of the aggregate principal amount of which is initially distributed outside India by or with the authority of the Company.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Security” means a mortgage, charge, pledge, lien, encumbrance or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect, including any mortgage, pledge, retention of title arrangement, right of retention, and, in general, any right *in rem* created for the purpose of granting security.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as the case may be, whether outstanding on the Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes; *provided, however, that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Trust Deed.

“Stated Maturity” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the Trust Deed, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“Subordinated Indebtedness” means any indebtedness of the Company that is contractually subordinated or junior in right of payment to the Notes pursuant to a written agreement to such effect, which, by its terms or by the terms of any agreement or instrument pursuant to which such indebtedness is issued or remains outstanding, (i) does not mature or require any amortization and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise (including any redemption, retirement or repurchase which is contingent upon events or circumstance but excluding any retirement required by virtue of acceleration of such indebtedness upon an event of default), in whole or in part, on or prior to the earlier of (x) six (6) months after the final Stated Maturity of the Notes and (y) six (6) months after the first date on which there are no Notes outstanding, (ii) does not provide for any cash payment of interest (or premium, if any) prior to the earlier of (x) six (6) months after the final Stated Maturity of the Notes and (y) six (6) months after the first date on which there are no Notes outstanding, and (iii) is not secured by a Security on any assets of any of the Company or Restricted Subsidiaries, as the case may be, and is not guaranteed by any of the Company or Restricted Subsidiaries; *provided, however, that* upon any event or circumstance that results in such indebtedness ceasing to qualify as Subordinated Indebtedness, such Indebtedness shall constitute an incurrence of such indebtedness by the Company.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

“Tangible Net Worth” means the aggregate of the following based on the Company’s consolidated financial statements (without duplication):

- (a) the amount paid up or credited as paid up on the share capital of the Company;
- (b) the amount standing to the credit of the reserves of the Company (including, without limitation, any share premium account, capital redemption reserve funds and any credit balance on the accumulated profit and loss account);

- (c) if applicable, that part of the net results of operations and the net assets of any Subsidiary of the Company attributable to interests that are owned, directly or indirectly, by the Company; and
- (d) the amount of any Subordinated Indebtedness incurred after the Issue Date;
- (e) net deferred taxation liability;
- (f) after deducting from that aggregate:
 - (i) any debit balance on the profit and loss account or impairment of the issued share capital of the Company (except to the extent that deduction with respect to that debit balance or impairment has already been made);
 - (ii) amounts set aside for dividends or taxation (including net deferred taxation asset); and
 - (iii) amounts attributable to capitalized items such as goodwill, trademarks, deferred charges, licenses, patents and other intangible assets if included in (b) or (c) above;

provided, however, that, for purposes of determining Tangible Net Worth, any losses or gains related to fluctuations in foreign exchange will continue to be determined in a manner consistent with the treatment thereof followed by the Company and its Restricted Subsidiaries in line with Indian Generally Accepted Accounting Principles prior to the adoption of Paragraph 28 of IND-AS Standard 21 – *The Effects of Changes in Foreign Exchange Rates*, which came in effect on 1 April 2016.

“Temporary Cash Investment” means any of the following:

- (a) direct obligations of the United States of America, Hong Kong, Singapore, a member state of the European Union or the Republic of India, or, in each case, any agency of either of the foregoing or obligations fully and unconditionally guaranteed by such country or any agency of the foregoing, in each case maturing within one (1) year;
- (b) demand or time deposit accounts, certificates of deposit and money market deposits maturing within one year of the date of acquisition thereof issued by a bank, trust company or other financial institution that is organized under the laws of the United States of America or India or any other bank, trust company or financial institution which is authorized to carry on business in India and which bank, trust company or financial institution (x) has capital, surplus and undivided profits aggregating in excess of U.S.\$100 million (or the Dollar Equivalent thereof) and (y) has outstanding debt which is rated “A” or such similar equivalent rating) or higher by at least one Nationally Recognized Statistical Rating Organization;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a bank or trust company meeting the qualifications described in clause (b) above;
- (d) commercial paper, maturing not more than one year after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or India or any other bank, trust company or financial institution which is authorized to carry on business in India with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (e) securities with maturities of one (1) year or less from the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, rated at least “A” by S&P, Moody’s or Fitch;

- (f) any money market fund that has at least 95 per cent. of its assets continuously invested in investments of the types described in clauses (a) through (e) above; and
- (g) demand or time deposit accounts, certificates of deposit and money market deposits, bankers acceptances, in each case, in the ordinary course of business and with maturities not exceeding one year from the date of acquisition, with any lender party to a credit facility with the Company or any Restricted Subsidiary or, solely in the ordinary course of business of the Company or the relevant Restricted Subsidiary, with a commercial bank having capital and surplus in excess of U.S.\$100.0 million (or the Dollar Equivalent thereof) and located in the jurisdiction where the Company or such Restricted Subsidiary is conducting business.

“Total Long-Term Debt” means at any time, the aggregate amount of (a) consolidated long-term borrowings, *plus* (b) the portion of consolidated current liabilities which comprise current maturities of consolidated long-term borrowings, *plus* (c) any guarantee or indemnity given by the Company in respect of any Indebtedness of the type described in clauses (a) and (b) of any Person.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and, unless the amount payable under such indebtedness or obligation is being contested or disputed by such Person in good faith, payable within 180 days.

“U.S. Treasury Rate” means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to 22 October 2023; *provided, however, that* if the period from the redemption date to 22 October 2023, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Company.

“Unrestricted Subsidiary” means (a) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Trust Deed and (b) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by the Company or one or more Wholly Owned Subsidiaries of the Company.

4.12 Trustee’s responsibility

The Trustee is not responsible for performing or verifying any calculations required under this Condition 4 or for monitoring compliance by the Company with any of the covenants and restrictions in this Condition 4 and it shall not be liable to any person by reason of any failure to do so. The Trustee shall be entitled to accept and rely on any certificate, resolution or opinion referred to in this Condition 4 (without further investigation or enquiry) and, if it does so, such certificate, resolution or opinion shall be conclusive and binding on the Noteholders. The Trustee shall not be required to

publish any certificates, resolutions, opinions, financial statements or reports given to in accordance with this Condition 4 or to make any such documents available for Noteholders.

5 Interest

Each Note bears interest from (and including) the Issue Date to (but excluding) 22 October 2026 at the rate of 5.45 per cent. per annum, in each case payable semi-annually in arrear on 22 April and 22 October in each year (each, an “**Interest Payment Date**”). If any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding Business Day. Each Note will cease to bear interest from the due date for redemption unless, after surrender of the Definitive Note, payment of principal or premium (if any) is improperly withheld or refused. In such event, interest will continue to accrue at such rate (both before and after judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder; and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

All payments of interest on the Notes shall be subject to applicable laws in India, including but not limited to the all-in-cost ceilings, under the Indian Foreign Exchange Management Act, 1999, as amended from time to time or the rules and regulations issued thereunder, including (a) the Foreign Exchange Management (Borrowing or Lending) Regulations, 2018; (b) Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations dated 26 March 2019 (RBI/ FED/2018-19/67 FED Master Direction No.5/ 2018-19); and (c) the applicable provisions of the Master Direction on Reporting under Foreign Exchange Management Act, 1999 dated January 1, 2016, in each case, as amended, modified, replaced or substituted from time to time pursuant to any rules, regulations, notifications, circulars, press notes or orders issued by the RBI or any other Indian governmental agency in relation to external commercial borrowings by companies incorporated in India (the “**ECB Directions**”), as described in the Offering Memorandum.

6 Redemption and Purchase

6.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 22 October 2026 (the “**Maturity Date**”). The Notes may not be redeemed at the option of the Company other than in accordance with this Condition 6 (*Redemption and Purchase*).

6.2 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if: (a) the Company has or will become obliged to pay Additional Amounts (as defined in Condition 8 (*Taxation*)) as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the official application or interpretation of such laws or regulations, which, in the case of the Company, becomes effective on or after 15 October 2019 or, in the case of any Surviving Person (as defined in Condition 4.7 (*Consolidation, Merger and Sale of Assets*)), becomes effective on or after the date such Surviving Person assumes responsibility under

the Notes; and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it, *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6.2 (*Redemption for Taxation*), the Company shall deliver to the Trustee an Officer's Certificate stating that the obligation referred to in (a) above cannot be avoided by the Company taking reasonable measures available to it and the Company is entitled to effect such redemption, setting forth a statement of facts showing that the conditions precedent to the right of the Company to so redeem have occurred and an Opinion of Counsel to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Trustee shall be entitled to accept and rely upon such certificate and Opinion of Counsel (without further investigation or enquiry) and it shall be conclusive and binding on the Noteholders.

6.3 Redemption for Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase, subject to the ECB Directions, all outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101.0 per cent. of the principal amount thereof, plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date.

The Company shall agree in the Trust Deed that, following a Change of Control Triggering Event, it will repay in a timely fashion all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Trust Deed.

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third-party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Trust Deed applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Trust Deed does not contain provisions that permit the holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

6.4 Optional Redemptions

At any time prior to 22 October 2023, upon not less than 10 nor more than 60 days' notice, the Company, subject to the ECB Directions, may on any one or more occasions redeem at its option all or part of the Notes at a redemption price equal to 100.0 per cent. of the principal amount thereof plus the Applicable Redemption Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to (but not including), the date of redemption, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant Interest Payment Date.

At any time prior to 22 October 2023, upon not less than 30 nor more than 60 days' notice, the Company, subject to the ECB Directions, may on any one or more occasions redeem up to 40 per cent. of the aggregate principal amount of Notes at a redemption price of 105.45 per cent. of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the redemption date, with the Net Cash Proceeds of one or more sales of the Capital Stock

of the Company in an Equity Offering, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant Interest Payment Date; *provided that*:

- (a) at least 60 per cent. of the aggregate principal amount of Notes originally issued on the Issue Date (excluding Notes held by the Company or its Subsidiaries) remains outstanding immediately after the occurrence of each such redemption; and
- (b) any such redemption occurs within 90 days of the date of the closing of such Equity Offering.

On or after 22 October 2023, upon not less than 30 nor more than 60 days' notice, the Company, subject to the ECB Directions, may, on any one or more occasions, redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount of the Notes at maturity) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to (but not including) the applicable redemption date, if redeemed during the twelve-month period commencing on 22 October of each year set forth below, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant Interest Payment Date:

Year	Redemption Price
2023	102.725 per cent.
2024	101.3625 per cent.
2025 and thereafter	100.000 per cent.

6.5 Notice of Redemption

All Notes in respect of which any notice of redemption is given under this Condition 6 (*Redemption and Purchase*) shall be redeemed on the date specified in such notice in accordance with this Condition 6 (*Redemption and Purchase*).

Any optional redemption of Notes in accordance with this Condition 6 (*Redemption and Purchase*) and the notice of such redemption may, at the Company's discretion, be subject to the satisfaction (or waiver by the Company in its sole discretion) of one or more conditions precedent including, but not limited to, the consummation of any related Equity Offering or Change of Control. If any such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Company's sole discretion, that the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded if any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under this Condition 6 (*Redemption and Purchase*).

If less than all of the Notes are to be redeemed at any time, Notes will be selected for redemption as follows: (1) if the Notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are listed; (2) if the Notes are cleared through Euroclear, Clearstream or any other applicable securities depository or clearing system (the "**Clearing Systems**"), in accordance with the Clearing Systems, as notified to it in writing by the Company; (3) if the Notes are not cleared through the Clearing Systems, on a pro rata basis, or by such method as the Trustee deems fair and appropriate; or (4) if the Notes are not listed on any securities exchange, on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and reasonable in the circumstances.

No Note of U.S.\$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the

principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note.

On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption, unless the Company defaults in the payment of the applicable redemption price in accordance with this Condition 6 (*Redemption and Purchase*).

6.6 Purchase

The Company (and any Subsidiary of the Company) may at any time purchase Notes in the open market or otherwise in any amount and at any price and such Notes shall be surrendered to any Paying Agent for cancellation subject to applicable law. Without limiting the ability of the Company and any other Subsidiary of the Company to conduct open market purchases, any purchase that the Company or any other Subsidiary of the Company elects to make by tender shall be made available to all Noteholders alike, except where it is not possible to do so in order to qualify for exemptions from any offering restrictions imposed by any jurisdiction in accordance with applicable law. Notes purchased and held prior to cancellation by the Company or any such Subsidiary shall not be deemed to be “outstanding” for purposes of any meeting of holders of Notes or other action to be voted upon, or taken, by holders of Notes.

In connection with any tender offer for the Notes at a price of at least 100.0 per cent. of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to (but not including) the applicable tender settlement date, if holders of the Notes of not less than 80.0 per cent. in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Company, any other Subsidiary of the Company or any third party making such a tender offer in lieu of the Company or any other Subsidiary of the Company, as the case may be, purchases all of the Notes validly tendered and not withdrawn by such holders, the Company, any other Subsidiary of the Company or (with the approval of the Company) such third-party will have the right upon not less than 10 nor more than 60 days’ notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of the Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but not including, such redemption date.

6.7 Cancellation

All Notes redeemed or purchased in accordance with this Condition 6 (*Redemption and Purchase*) shall be cancelled.

Early redemption of the Notes under Conditions 6.2, 6.3 or 6.4 will require a prior approval from the RBI or approval of the authorized dealer (the “**AD Bank**”), as the case may be, in accordance with the ECB Directions, before effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

7 Payments

7.1 Method of Payment

Payments of principal and premium (if any) in respect of each Note will be made by transfer to a U.S. dollar account maintained by the payee. Payments of principal will be made conditional upon surrender of the relevant Definitive Note at the specified office of any of the Transfer Agents. Interest on Notes will be paid to the Persons shown on the Register at the close of business on the fifteenth Business Day before the due date for the payment of interest (the “**Record Date**”).

So long as the Notes are represented by a global Note held on behalf of Euroclear or Clearstream, such payments will be made to the holder appearing in the register of holders of the Notes maintained by the Registrar at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date.

7.2 Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the due date for payment (or, if that date is not a Business Day, on the first following day which is a Business Day), or, in the case of payments of principal and premium (if any) where the relevant Definitive Note has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Definitive Note is surrendered. For the purposes of these Conditions, “**Business Day**” means a day, other than a Saturday or a Sunday, on which commercial banks in London, Singapore, The City of New York and Mumbai, and in the case of a surrender of a Definitive Note, in the place the Definitive Note is surrendered, are open for business or not authorized to close.

7.3 Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a Business Day, if the Noteholder is late in surrendering its Definitive Note (if required to do so).

7.4 Payment not Made in Full

If the amount of principal and/or premium (if any) being paid upon surrender of the relevant Definitive Note is less than the outstanding principal amount of, or premium due on, such Definitive Note, the Registrar will annotate the Register with the amount of principal and/or premium (if any) so paid and will (if so requested by the Company or a Noteholder) issue a new Definitive Note with a principal amount equal to the remaining unpaid outstanding principal amount and/or premium (if any). If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

7.5 Agents

The initial Agents and their initial specified offices are listed below. The Company reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents, *provided, however, that* it will maintain: (i) a Principal Paying Agent; (ii) a Registrar; (iii) a Transfer Agent; and such other agents as may be required by any stock exchange on which the Notes may be listed. Notice of any change in the Agents or their specified offices will promptly be given to the Trustee and the Noteholders.

7.6 Agency Role

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Company and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

8 Taxation

All payments of principal, premium (if any) and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within (i) India or any jurisdiction of which the Company is otherwise considered by a taxing authority to be a resident for tax purposes or any

political organization or governmental authority thereof or therein having the power to tax or (ii) any jurisdiction from or through which the Company or any person on behalf of the Company makes a payment on the Notes, or any political organization or governmental authority thereof or therein having the power to tax (each jurisdiction described in (i) or (ii) above, a “**Relevant Jurisdiction**”), unless such withholding or deduction is required by law. In that event, the Company shall pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Noteholders of such amounts as would have been receivable by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

- (a) to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note;
- (b) presented for payment in the Relevant Jurisdiction;
- (c) the Definitive Note in respect of which is surrendered (where required to be surrendered) more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Amounts on surrender of such Definitive Note for payment on the last day of such period of 30 days; or
- (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future U.S. Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA.

For purposes of these Conditions, “**Relevant Date**” means whichever is the later of:

- (1) the date on which such payment first becomes due; and
- (2) if the full amount payable has not been received in U.S. dollars by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which the full amount having been so received, notice to that effect shall have been given to the Noteholders.

Any reference in these Conditions to principal, premium and/or interest shall be deemed to include any Additional Amounts which may be payable under this Condition 8 (*Taxation*) or any undertaking given in addition to or in substitution for it under the Trust Deed.

Any payments, including payments of withholding tax in foreign currency, made by the Company are required to be within the all-in-cost ceilings prescribed under the ECB Directions and in accordance with any specific approvals from the RBI or the designated AD Bank, as the case may be, obtained by the Company.

9 Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, give notice to the Company that the Notes are, and they shall immediately become, due and payable at their principal amount together with accrued interest:

- (a) the Company fails to pay any principal, premium (if any) or interest in respect of any of the Notes on the date when due and such failure continues for a period of seven Business Days in the case of principal or 30 calendar days in the case of interest;
- (b) the Company does not perform or comply with one or more of its obligations under these Conditions or the Trust Deed (other than its obligations referred to in paragraph (a) above) which default is incapable of remedy or, if such default is capable of remedy, is not remedied within 30 calendar days after notice of such default shall have been given to the Company by the Trustee;
- (c)
 - (i) the acceleration of any present or future Indebtedness of the Company prior to its stated maturity by reason of any event of default or potential event of default (however described), which acceleration is not rescinded or waived;
 - (ii) the Company fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period;
 - (iii) any security given by the Company for any Indebtedness becomes enforceable; or
 - (iv) default is made by the Company in making any payment due under any guarantee and/or indemnity given by it in relation to Indebtedness of any other person;

provided, however, that the aggregate amount of Indebtedness in respect of which one or more of the events referred to in this Condition 9(c) have occurred exceeds U.S.\$40.0 million (or the Dollar Equivalent thereof);
- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Company, save for the purposes of reorganization on terms approved by an Extraordinary Resolution of the Noteholders;
- (e) the Company shall cease or threaten to cease to carry on the whole or a substantial part of the business conducted by the Company and its Subsidiaries at the Issue Date, save for the purpose of any reorganization on terms approved by an Extraordinary Resolution of Noteholders;
- (f) the Company stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent;
- (g) if (i) proceedings are initiated against the Company under any applicable liquidation, insolvency, judicial management, composition, reorganization or other similar laws or an application is made (or documents filed with a court or judicial authority) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Company or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of the Company or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Company, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Company, and (ii) in any such case (other than the appointment of an administrator initiated by the Company) is not discharged or stayed within 60 days;
- (h) the Company (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganization or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its

creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors);

- (i) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Company;
- (j) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or the obligations under the Notes or the Trust Deed shall for any reason cease to be binding upon and enforceable against the Company in accordance with its terms, or the binding effect or enforceability thereof shall be contested by the Company or the Company shall deny that it has any further liability or obligation under the Notes or the Trust Deed; or
- (k) any event which under the governing laws of any relevant applicable jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to 9(i) above occurs.

Early redemption upon the occurrence of any Event of Default may require the prior approval from the RBI or the AD Bank, as the case may be, in accordance with the ECB Directions, before effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

10 Prescription

Claims in respect of principal and interest shall be prescribed unless made within a period of ten years in the case of principal (including any premium in respect thereof) and five years in the case of interest from the appropriate Relevant Date.

11 Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Company may require (*provided, however, that the requirement is reasonable in the light of prevailing market practice*). Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

12 Meetings of Noteholders, Modification, Waiver and Substitution

12.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Company or by the Trustee and shall be convened by the Trustee upon a request in writing of the Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be one (1) or more Persons holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting one (1) or more Persons holding Notes or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*: (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes; (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Notes; (iii) to change the currency of payment of the Notes; (iv) to change any obligation of the Company to pay Additional Amounts with respect to the Notes; (v) to reduce the premium payable upon the redemption or repurchase of any Note or change the time at which any Note may be redeemed or

required to be repurchased under Condition 6 (*Redemption and Purchase*) whether through an amendment or waiver of provisions in the covenants, definitions or otherwise or (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one (1) or more Persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding, or at any adjourned meeting, not less than one-fourth in principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than two-thirds of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than two-thirds in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

12.2 Modification and Waiver

The Trustee may agree, without the consent of the Noteholders, to any modification of (except as mentioned in Condition 12.1 (*Meetings of Noteholders*) above), or to the waiver or authorization of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Default or Event of Default shall not be treated as such (*provided, however, that*, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification, authorization or waiver shall be binding on the Noteholders and, unless the Trustee otherwise agrees, such modification authorization or waiver shall be notified to the Noteholders as soon as practicable in accordance with Condition 16 (*Notices*).

12.3 Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to compliance with the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of the Company's successor in business or any Subsidiary of the Company or its successor in business in place of the Company or any previous substituted company, as principal debtor under the Trust Deed and the Notes *provided, however, that* such substitution would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

12.4 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*)), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) and, in particular, without limitation, shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

13 Enforcement

The Trustee may, at its discretion and without further notice, institute such actions, steps or proceedings against the Company as it may think fit to enforce the terms of the Trust Deed and the Notes, but it shall not be required to take any such proceedings unless: (i) it has been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes then outstanding; and (ii) it has been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may institute proceedings directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trust Deed provides that the Trustee shall take action on behalf of the Noteholders in certain circumstances but only if it is indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee and its parent, subsidiaries and affiliates are entitled (i) to enter into business transactions with the Company and/or any entity related to the Company and to act as trustee for the holders of any other securities issued by, or relating to, the Company and any entity related to the Company, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Repatriation of proceeds outside India by the Company under an indemnity clause requires the prior approval of the RBI, in accordance with the extant applicable laws and regulations in India, including the rules and regulations framed under the Foreign Exchange Management Act, 1999, as amended.

15 Further Issues

Subject to Condition 4.2 (*Limitation on Indebtedness*), the Company may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for any one or more of the first payment of interest, the issue date, the first interest payment date and, to the extent necessary, certain temporary securities law transfer restrictions) so as to form a single series with the Notes.

References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 15 (*Further Issues*) and forming a single series with the Notes.

16 Notices

Notices to the Noteholders will be sent to them at their respective addresses in the Register. The Company shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth day after being so sent.

So long as the Notes are represented by a global Note held on behalf of Euroclear or Clearstream, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream for communication by it to entitled account holders in substitution for notification as required by these Conditions.

17 Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Company under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Company or otherwise) by the Trustee or any Noteholder in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the U.S. dollars which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Company shall indemnify it against any loss sustained by it as a result. In any event, the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17 (*Currency Indemnity*), it will be sufficient for the Trustee or the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Trustee or any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order. If the U.S. dollars amount that may be purchased exceeds the amount so received or recovered in that other currency, any excess shall as soon as practicable be repaid to the Company.

18 Governing Law

18.1 Governing Law

The Trust Deed, the Agency Agreement and the Notes, and all non-contractual obligations arising out of or in connection with the Trust Deed or the Notes, are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Agency Agreement and the Notes (including without limitation any dispute regarding any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes ("**Proceedings**") may be brought in such courts. The Company has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts in connection with any such Proceedings and waived any objections to Proceedings in such courts on the grounds of venue or that they have been brought in an inconvenient forum. The Company makes this submission solely for the benefit of the Trustee and the Noteholders and shall not limit the right of the Trustee or any Noteholder to initiate Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

18.3 Agent for Service of Process

The Company has in the Trust Deed appointed an agent to receive service of process in any Proceedings in England. If for any reason the Company does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Trustee of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.4 Waiver of Immunity

The Company irrevocably agrees that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Company irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Trust Deed or the Notes.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

Terms defined in the terms and conditions of the Notes (the “Conditions” or “Terms and Conditions”) set out in this Offering Memorandum have the same meaning in the paragraphs below.

The Notes will initially be represented by a permanent Global Certificate in registered form. The Global Certificate will be registered in the name of a nominee for, and deposited with a common depository for, Euroclear and Clearstream.

Under the Global Certificate, the Company, for value received, will promise to pay such principal and interest on the Notes to the holder of the Notes on such date or dates as the same may become payable in accordance with the Terms and Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates in definitive form (each, an “**Individual Definitive Note**”):

- (i) if the Notes represented by the Global Certificate are held on behalf of Euroclear or Clearstream or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) upon or following any failure to pay principal in respect of any Notes when it is due and payable; or
- (iii) with the written consent of the Company.

Whenever the Global Certificate is to be exchanged for Individual Definitive Notes, such Individual Definitive Notes will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of the Notes scheduled thereto and, in particular, shall be effected without charge to any holder of the Notes or the Trustee, but against such indemnity as the Registrar or the relevant Agents may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. See “*Transfer Restrictions*”.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Notes evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Trustee’s Powers

In considering the interests of the holders of the Notes holding interests through the Global Certificate, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so: (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Notes and (b) may consider such interests on the basis that such accountholders were the holders of the Notes in respect of which such Global Certificate is issued.

Notices

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Notes shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Notes in substitution for notification as required by the Terms and Conditions.

Transfer of Notes Represented by Global Certificates

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures

of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants. Where the holding of Notes represented by the Global Certificate is only transferable in its entirety, the certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as, or as nominee for, a common depositary for Clearstream, Euroclear and/or an Alternative Clearing System.

Cancellation

Cancellation of any Note represented by the Global Certificate which is required by the Terms and Conditions to be cancelled will be effected by reduction in the principal amount of the Notes in the register of the Notes and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Global Certificate.

Meetings

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall (unless the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each U.S.\$ 1,000.

Payments

Payments of principal and interest in respect of Notes evidenced by the Global Certificate held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying Agent or such other Paying Agent (as defined in the Terms and Conditions), to the cash accounts of Euroclear and Clearstream participants in accordance with the relevant system's rules and procedures and will be made without presentation for endorsement by the Principal Paying Agent or such other Paying Agent and, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Principal Paying Agent or to the order of such other Paying Agent as shall have been notified to the relevant holder for such purpose. No person shall however be entitled to receive any payment on the Global Certificate (or such part of the Global Certificate which is required to be exchanged) falling due after any date of exchange into the Individual Definitive Notes in definitive form unless exchange of the Global Certificate for such Individual Definitive Notes is improperly withheld or refused by or on behalf of the Company or the Company does not perform or comply with any one or more of what are expressed to be its obligations under any such Individual Definitive Notes.

Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 7 (*Payments*) within ten years (in the case of principal) and five years (in the case of interest) from the appropriate relevant due date.

TAXATION

The information below does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. In particular, the information does not consider any specific facts of circumstances that may apply to a particular purchaser and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Neither these statements nor any other statements in this Offering Memorandum are to be regarded as advice on the tax position of any holder or beneficial owner of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposition of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Memorandum does not discuss the local tax consequences to a potential holder, purchaser and seller arising from the acquisition, holding or disposition of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposition of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposition of Notes.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for non-resident investors subscribing to the Notes. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Memorandum and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or disposal of the Notes.

Taxation of Interest

The Income Tax Act, 1961 (the “**Income Tax Act**”) is the law relating to taxation of income in India. Under the Income Tax Act, interest income payable by issuers of securities to non-resident investors is subject to Indian tax, if the issuance proceeds are for the purpose of business carried on by the issuer in India or for the purposes of making or earning any interest from any source in India. As per the Income Tax Act, a non-resident investor would be liable to pay tax at the rate of 5% (plus applicable surcharge, and health and education cess), on any interest paid on the Notes, subject to and in accordance with the conditions set out in the Income Tax Act.

The rates of tax will stand reduced if the beneficial recipient is a resident of a country with which the GoI has entered into an agreement for granting relief of tax or for avoidance of double taxation (a “**Tax Treaty**”) and the provisions of such treaty, which provide for the taxation in India of income by way of interest at a rate lower than that stated above, are fulfilled.

Tax would be required to be withheld on interest payments made on Notes at the rate of 5% (plus applicable surcharge and health and education cess), under Section 194LC of the Income Tax Act.

An applicable Tax Treaty may reduce such tax liability to such beneficial rates as provided in the applicable Tax Treaty, subject to fulfilment of the conditions prescribed therein. In respect of interest income on long term bonds to non-residents, pursuant to section 206AA of the IT Act, the payee is not required to provide its permanent account number to the payer. Hence, the non-resident investors are not required to provide their permanent account number.

In the event our Company is required to pay interest on the Notes under the guarantee, the taxability of the interest will continue to remain the same and such payment would be subject to withholding tax in India.

A non-resident investor is obligated to pay such income tax in an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the Notes through India and its ultimate Indian tax liability for such interest, subject to and in accordance with the provisions of the Income Tax Act. The non-resident Noteholders shall be obligated to provide all necessary information and documents, as may be required by our Company.

Subject to certain exceptions, our Company will pay such additional amounts as may be necessary in order that the net amount received by the holder of each Note after the withholding or deduction of Indian taxes from interest payments will equal the amount which would have been received had no such withholding or deduction been required.

Taxation of gains arising on disposal

Any gains arising to a non-resident investor from a disposal of the Notes held (or be deemed as held) as a capital asset will generally be chargeable to income tax in India, if the Notes are regarded as property situated in India. A non-resident investor will not generally be chargeable to income tax in India from a disposal of the Notes held as a capital asset, if the Notes are regarded as being situated outside India. The issue as to where securities such as the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision, however, will depend on the view taken by Indian tax authorities on the position with respect to the situs of the rights being offered in respect of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as our Company is incorporated in and resident in India.

If the Indian tax authorities treat the Notes as being situated in India, upon disposal of the Notes:

- (i) a non-resident investor who has held the Notes for a period of more than 36 months immediately preceding the date of their disposal, would be liable to pay capital gains tax at the rate of 10% (without indexation and foreign currency conversion benefit) of the capital gains (plus the applicable surcharge and health and education cess) in accordance with the provisions of Income Tax Act, subject to any benefit provided by any applicable Tax Treaty;
- (ii) a non-resident investor who has held the Notes for a period of 36 months or less would be liable to pay capital gains tax at the rate up to 40% of the capital gains (plus the applicable surcharge and health and education cess), depending on the legal status of the non-resident investor and his taxable income in India and subject to any benefit provided by any applicable Tax Treaty; and
- (iii) any income arising to a non-resident investor from the transfer of the Notes held as stock-in-trade will be considered as business income. Business income will be subject to income tax in India only to the extent, if any, that it is attributable to a “business connection in India” or, in case where a Tax Treaty is applicable, to a “permanent establishment” of the non-resident investor in India. A non-resident investor will be liable to pay Indian tax on such income at a rate of up to 40% (plus applicable surcharge and health and education cess), depending on the legal status of the non-resident investor and his or her taxable income in India, subject to any benefit provided by any applicable Tax Treaty.

If applicable, under the tax law, tax shall be withheld by the person making any payment to a non-resident on long-term capital gains at the rates given above and short-term capital gains at 30% or 40% (plus applicable surcharge and health and education cess), depending on the legal status of the recipient of income, subject to any lower rate provided for by a Tax Treaty. Tax payable shall be computed in such a manner as prescribed in this regard under the Income Tax Act. For the purpose of tax withholding, the non-resident Noteholders shall be obliged to provide permanent account number allotted by the tax authorities and all prescribed information/documents, including a tax residency certificate (issued by the tax authorities of the

country in which the investor is resident) for claiming the Tax Treaty benefits. If the non-resident investor does not have a permanent account number, a tax identification number may be submitted along with certain other details such as name, e-mail ID, contact number and address in the country of residence, along with a tax residency certificate substantiating such tax identification number.

Wealth Tax

No wealth tax is payable at present in relation to the Notes.

Estate Duty

No estate duty is payable in relation to the Notes. There are no inheritance taxes or succession duties currently imposed in respect of the Notes held outside India.

Gift Tax

No gift tax is payable at present in relation to the Notes.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Lead Managers dated 15 October 2019 (the “**Subscription Agreement**”). Pursuant to, and subject to the terms and conditions stated in the Subscription Agreement, each Lead Manager named below has severally agreed to subscribe and pay for, or to procure subscribers and pay for, the principal amount of the Notes set forth opposite the Lead Manager’s name.

Lead Manager	Principal Amount of Notes
Barclays Bank PLC	U.S.\$ 43,200,000
Citigroup Global Markets Limited	U.S.\$ 42,800,000
DBS Bank Ltd.	U.S.\$ 42,800,000
First Abu Dhabi Bank PJSC	U.S.\$ 42,800,000
J.P. Morgan Securities plc	U.S.\$ 42,800,000
MUFG Securities Asia Limited	U.S.\$ 42,800,000
SBICAP (Singapore) Limited	U.S.\$ 42,800,000
Total	U.S.\$ 300,000,000

The Subscription Agreement provides, among other things, that the obligations of the Lead Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Lead Managers propose to resell the Notes at the offering price set forth on the cover page of this Offering Memorandum outside the United States in reliance on Regulation S. See “*Transfer Restrictions*”. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Lead Managers or any affiliate of the Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Lead Managers or such affiliate, as the case may be, on behalf of the Issuer in such jurisdiction.

We have agreed that, for a period until 90 days after the date of closing (which is expected to be the fifth business day following the date of this Offering Memorandum), we will not, without the prior written consent of the Lead Managers, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by us that are substantially similar to the Notes. The Lead Managers in their sole discretion may consent to the offering and sale of such securities by us at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval-in-principle has been received for the listing of and quotation for the Notes on the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Lead Managers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

The Lead Managers (or their affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Lead Managers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing

transaction or a covering transaction to cover short positions. Neither we nor the Lead Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Lead Managers make any representation the Lead Managers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the fifth business day following the date of the pricing of the Notes. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Notes are a new issue of securities for which there currently is no market. The Lead Managers have advised the Issuer that they intend to make a market in the Notes as permitted by applicable laws. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

Each Lead Manager or its affiliates may purchase the Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, a Lead Manager or its affiliates may hold long or short positions relating to the Notes. Each of the Lead Managers and its affiliates have, in the past, engaged, and may, in the future, also engage in transactions with and perform services, including financial advisory, commercial banking and investment banking services and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Lead Managers and their affiliates, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In addition, the Lead Managers or any of their affiliates may acquire for their own account a portion of the Notes. In addition to the transactions noted above, each Lead Manager and its affiliates may, from time to time after completion of the offering of the Notes, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. Each Lead Manager or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. While each Lead Manager and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Lead Manager or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Joint Lead Manager may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

We have agreed to indemnify the Lead Managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Lead Managers may be required to make because of any of those liabilities.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Lead Managers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

Hong Kong

Each Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Lead Manager has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred

within six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

- i. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- ii. where no consideration is or will be given for the transfer; or
- iii. where the transfer is by operation of law; or
- iv. as specified in Section 276(7) of the SFA; or
- v. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

United States

Each of the Lead Managers has represented and warranted (as to itself only) that

- (i) it has and will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes any Offering Memorandum or any such other material, in all cases at its own expenses; and
- (ii) the Notes have not been and will not be registered under the Securities Act or any United States state securities laws and, unless so registered, may not be offered or sold within the United States (as defined under Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws;
- (iii) the Notes are being offered only outside the United States in compliance with Regulation S and, accordingly, neither it nor any persons acting on its behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

Each purchaser of the Notes in making its purchase will be required to make or will be deemed to have made certain acknowledgements, representations and agreements set out in “*Transfer Restrictions*”. The Notes are freely transferable, subject to the restrictions on the transferability of the Notes described under “*Transfer Restrictions*”.

United Kingdom

Each Lead Manager has represented and warranted that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

EEA

Each Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

India

This Offering Memorandum has not been, nor will it be, filed, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or private placement letter or other offering material in respect of any private placement under the Companies Act, 2013 or any other applicable Indian laws) with any Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, and the Notes will not be offered or sold, and have not been offered or sold, in India by means of any document, whether as a principal or agent nor have the Lead Managers circulated or distributed, nor will they circulate or distribute, the Offering Memorandum or any other offering document or material relating to the Notes, directly or indirectly, to any person or the public or any member of the public in India or otherwise generally distributed or circulated in India. The Notes have not been offered or sold, and will not be offered or sold, in India in circumstances which would constitute an offer of securities (whether to the public or by way of private placement) within the meaning of the Companies Act, 2013 or any other applicable Indian laws for the time being in force.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Lead Managers:

1. You understand and acknowledge that:
 - the Notes have not been registered under the Securities Act or any other applicable securities laws;
 - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable state securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Lead Managers nor any person representing us or the Lead Managers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.
6. You acknowledge that we, the Lead Managers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Lead Managers. If you are

purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be assigned a rating of Ba2 by Moody's and BB- by Fitch. Our corporate ratings are Ba1 (negative) by Moody's and BB (stable) by Fitch.

The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the likelihood of any payments of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agency in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us. See "*Risk Factors—Risks Relating to the Notes*".

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for our Company by Linklaters Singapore Pte. Ltd. as to matters of United States federal securities and English law and by Shardul Amarchand Mangaldas & Co as to matters of Indian law. Certain legal matters with respect to the Notes will be passed upon for the Lead Managers by Allen & Overy (Asia) Pte. Ltd. as to matters of United States federal securities and English law and Cyril Amarchand Mangaldas as to matters of Indian law.

INDEPENDENT ACCOUNTANTS

Our audited consolidated financial statements as of and for financial year ended March 31, 2017 prepared in accordance with Ind AS and included in this Offering Memorandum have been audited by S.R. Batliboi & Co. LLP, Chartered Accountants, in accordance with the standards on auditing issued by ICAI.

Our audited consolidated financial statements as of and for financial years ended March 31, 2018 and March 31, 2019, prepared in accordance with Ind AS and included in this Offering Memorandum have been audited by Deloitte Haskins & Sells LLP, Chartered Accountants, independent auditors to our Company, in accordance with the standards on auditing issued by ICAI.

Our unaudited, condensed interim consolidated financial statements as of and for the three months ended June 30, 2019 have been reviewed by Deloitte Haskins & Sells LLP, Chartered Accountants, in accordance with Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by ICAI.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND IND AS

Our audited consolidated financial statements as of and for financial years ended March 31, 2018 and March 31, 2019 have been prepared in accordance with Ind AS. Our unaudited, condensed interim consolidated financial statements as of and for the three months ended June 30, 2019 have been prepared in accordance with recognition and measurement principles of Ind AS 34.

The following table summarizes some of the areas in which differences in accounting between Ind AS and IFRS could be significant to our financial position a results of operations and cash flows. This summary has been prepared on the assumption that our Company applies Ind AS on a continuing basis, and hence the impact of Ind AS 101 regarding First Time Adoption has not been considered. This summary should not be taken as an exhaustive list of all the differences between Ind AS and IFRS. No attempt has been made to identify all recognition and measurement, presentation or classification differences that would affect the manner in which transactions or events are presented in our consolidated special purpose financial statements (or notes thereto). Management has not quantified all of the effects of the differences discussed below. Potential investors should consult their own professional advisors for an understanding of the differences between Ind AS and IFRS, and how those differences might affect the financial information disclosed in this Offering Memorandum.

These do not include differences that may arise due to the application of new standards already issued and/or future changes in the standards.

Topic	IFRS	Ind-AS
Presentation of financial statements — Components of financial statements	IAS 1 sets out the requirements for presentation of financial statements and the guidelines for their structure and content. As per IFRS, a complete set of financials comprises: (a) a statement of financial position; (b) a statement of profit or loss and other comprehensive income for the period; (c) statement of cash flow; (d) statement of changes in equity; and (e) notes including summary of accounting policies and explanatory notes.	Ind-AS 1 does not include any illustrative format of the presentation of the financial statements. The requirements for the presentation of financial statements are set out in Ind AS compliant Schedule III to the Companies Act, 2013 and the Accounting Standards specified under the Companies (Indian Accounting Standards) Rules, 2015. As per Ind AS, a complete set of financials comprises: (a) a balance sheet; (b) a statement of profit and loss; (c) statement of cash flow; (d) statement of changes in equity; and (e) notes including summary of accounting policies and explanatory notes.
Presentation of Financial Statements — Presentation of income statement/ statement of profit and loss	An analysis of expenses is presented using a classification based on either the nature of expenses or their function whichever provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes. Profit or loss attributable to minority interests and equity holders of the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.	Ind AS compliant Schedule III to the Companies Act, 2013 and Ind AS permit only an analysis of expense by nature. As per Ind AS compliant Schedule III to the Companies Act, 2013, additional information by way of notes is required for any item of income or expenditure which exceeds one percent of the revenue from operations or `1,000,000, whichever is higher. Profit or loss attributable to non-controlling interests and equity holders of the parent are disclosed in the statement of profit and loss as allocations of profit or loss for the period and total comprehensive income for the period.
Cash Flow Statement — Interest and dividend	Either can be classified as operating, investing or financing activities in a	Interest and dividends received are required to be classified as investing activities. Interest and

Topic	IFRS	Ind-AS
Income Taxes — Deferred tax on business combinations	manner consistent from period to period. If the potential benefit of the acquiree's income tax loss, carry forward or other deferred tax assets did not satisfy the criteria in IFRS 3 for separate recognition when the business combination is initially accounted for, and is subsequently realized, goodwill is reduced to record pre-acquisition deferred tax assets which are recognized within 12 months of the acquisition date as a result of new information on facts and circumstances that existed on the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefit is recognized in profit or loss. All other deferred tax benefits are recognized in profit or loss.	dividends paid are required to be classified as financing activities. Similar to IFRS, except that if the carrying amount of goodwill is Nil, any remaining deferred tax benefits are recognized in other comprehensive income and accumulated in equity as capital reserve or recognized directly in capital reserve depending on whether there exist clear evidence of the underlying reason for classifying the business combination as a bargain purchase as specified in Ind AS 103.
Leases — interest in leasehold land	As per para 19 of IAS 17, in accordance with IAS 40, it is possible for a lessee to classify a property interest held under an operating lease as an investment property. If it does, the property interest is accounted for as if it were a finance lease and, in addition, the fair value model is used for the asset recognized. The lessee will continue to account for the lease as a finance lease, even if a subsequent event changes the nature of the lessee's property interest so that it is no longer classified as investment property.	Similar to IFRS, except that a property interest in an operating lease cannot be accounted for as Investment property at fair value as the fair value model is not permissible by Ind AS 40.
Escalation in Lease Rental	Requires straight-lining of lease rentals.	No straight-lining for escalation of lease rentals in line with expected general inflation.
Employee benefits – Discount rate	Market yields at the reporting period on high quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on government bonds. However, subsidiaries, associates, joint ventures and branches domiciled outside India shall discount post-employment benefit obligations arising on account of post-employment benefit plans using the rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In case, such subsidiaries, associates, joint ventures and branches are domiciled in countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds of that country shall be used. The currency and term of the government bonds or corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.
Government Grants — recognition	Government grants are recognized as income to match them with related	With effect from 01 April 2018 Similar to IFRS. Till 31 March 2018 grant related to assets,

Topic	IFRS	Ind-AS
	costs which they are intended to compensate on a systematic basis. Government grants are not directly credited to shareholders' interests.	including non-monetary grant at fair value should be presented in balance sheet only by setting up the grant as deferred income.
	Government grants related to assets are presented in the Balance Sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	
Government Grants — nonmonetary assets	The asset and the grant may be accounted at fair value. Alternatively, these can be accounted at nominal value.	Both, the grant and the asset should be accounted for at fair value.
Effects of Changes in Foreign Exchange Rates — exchange differences	Exchange differences arising on translation or settlement of foreign currency monetary items are recognized in profit or loss in the period in which they arise.	Similar to IFRS, However, an entity may continue the policy adopted for exchange difference arising from translation of long term foreign currency monetary items recognized in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.
Effects of Changes in Foreign Exchange Rates — change in functional currency	Change in functional currency is applied prospectively. The fact of change in functional currency and the reason for the change in functional currency should be disclosed.	Similar to IFRS. Additionally, the date of change in functional currency should also be disclosed.
Investments in Associates and Joint Ventures — in consolidated financial statements — Goodwill	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment i.e. Negative goodwill is included as income in determination of the investor's share of associate's profit or loss.	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment should be recognized directly in equity as capital reserve in the period in which the investment is acquired.
Investments in Associates and Joint Ventures — in consolidated financial statements — Uniform accounting policies	Associate's accounting policies for like transactions and events in similar circumstances should be uniform with the investor's for the purposes of equity accounting.	The Financial statements should be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so.
Investment Property — measurement	Investment properties can be measured using the cost model (in accordance with IAS 16 requirements) or the fair value model (with changes in fair value recognized in the statement of profit and loss).	Investment property are measured using cost model. Fair value model is not permitted. Detailed disclosure pertaining to fair value have to be given.
Business Combinations — cost allocations	All business combinations, other than those between entities under common control, are accounted for by applying the purchase method. An acquirer is identified for all business combinations, which is that entity that obtains control of the other combining entity.	Similar to IFRS, However, common control transactions are included in the scope and additional guidance provides that business combinations transactions between entities under common control should be accounted for using the pooling of interest method.
	As at the effective date of the business combination, each identifiable asset	

Topic	IFRS	Ind-AS
Business Combinations — bargain purchase	and liability are recorded at the acquisition date fair value. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination, the fair value and the cost of net assets acquired is reassessed and any excess remaining is recognized immediately in the statement of profit and loss.	If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination, the fair value and the cost of net assets acquired shall be reviewed and any excess remaining shall be recognized in other comprehensive income on the acquisition date and accumulate the same in equity as capital reserve. If there is no clear evidence of the underlying reason for classification of the business combination as a bargain purchase, the resulting gain is recognized directly in equity as capital reserve.
Classification of loan with covenant breaches	Loans reclassified as 'current liability.	Entities to continue classifying loans as noncurrent even in case of breach of a material provision if, before the approval of the financial statements, the lender agreed not to demand payment.
Financial Instruments: Recognition and Measurement — impairment	A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk statistics and collectively assessed for impairment. Impairment loss shall be recognized to profit and loss account.	The impairment model is based on expected credit losses and it applies equally to debt instrument measured at amortized cost or FVTOCI (the loss allowance is recognized in other comprehensive income and not reduced from carrying amount of financial assets), lease receivables and certain written loan commitments and financial guarantee contracts. Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to (i) the 12 months expected credit losses or (ii) lifetime expected credit losses, if credit risk has increased significantly since initial recognition of the financial instruments. With respect to trade receivables, loss allowance is measured at lifetime expected credit losses.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes. Our shareholders have authorized our Board of Directors, by a resolution dated April 13, 2017 to borrow up to ₹480,000 million pursuant to Section 180(1)(c) of the Companies Act, 2013. The entering into of the Trust Deed governing the Notes and the issue of the Notes have been authorized by a resolution of our Board of Directors dated September 24, 2019.

Litigation

Except as disclosed in this Offering Memorandum, there are no legal or arbitration proceedings against us or affecting us or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or which have had or are likely to have a significant effect on our financial position.

No Material Adverse Change

Except as disclosed in this Offering Memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2019 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the following documents will be available for inspection from the registered office of the Issuer and, in respect of the documents referred to in (c) below, during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent:

- (a) Memorandum and Articles of Association of the Issuer;
- (b) copies of our audited financial statements for the last three financial years and the Limited Review Financial Statements for the three months ended June 30, 2019; and
- (c) the Agency Agreement and the Trust Deed.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS2052949968	205294996

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LEI

The legal entity identifier of our Company is 3358008CSQJBZUGQXP26.

Listing of the Notes

Approval-in-principle has been received for the listing of and quotation for the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made on opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of our Company, our Subsidiaries, our associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Accounts

S.R. Batliboi & Co. LLP, Chartered Accountants, were the statutory auditors of our Company in respect of the year ended March 31, 2017 and our consolidated financial statements as of and for the financial year ended March 31, 2017, prepared in accordance with Ind AS, have been audited by them in accordance with the standards on auditing issued by ICAI.

Deloitte Haskins & Sells LLP were the statutory auditors of our Company in respect of the last two financial years and the three months ended June 30, 2019, and continue to be the statutory auditors of our Company. Deloitte Haskins & Sells LLP, Chartered Accountants, has (a) audited, in accordance with the standards on auditing issued by ICAI, our consolidated financial statements as of and for financial years ended March 31, 2018 and March 31, 2019, each prepared in accordance with Ind AS; and (b) conducted a limited review in accordance with Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” with respect to our Limited Review Financial Statements as of and for the three months ended June 30, 2019, prepared in accordance with recognition and measurement principles of Ind AS 34.

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF UNAUDITED SPECIAL
PURPOSE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

**TO THE BOARD OF DIRECTORS OF
HPCL-Mittal Energy Limited**

Introduction

1. We have reviewed the accompanying unaudited condensed consolidated balance sheet of **HPCL-Mittal Energy Limited** (the "Parent") as at June 30, 2019 and its subsidiary (the Parent and its subsidiary together referred to as the "Group"), and the related unaudited condensed consolidated statement of profit and loss (including other comprehensive income), unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated statement of cash flows for the quarter ended June 30, 2019 and selected notes (collectively, the "Unaudited Special Purpose Condensed Consolidated Interim Financial Information") and which includes a joint operation consolidated on a proportionate basis with the Parent.
2. These Unaudited Special Purpose Condensed Consolidated Interim Financial Information, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, have been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 (the "Act") read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on these Unaudited Special Purpose Condensed Consolidated Interim Financial Information based on our review.

Scope of review

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India (ICAI). A review of interim financial information consists of making inquiries, primarily of the company's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under section 143(10) of the Act and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

4. Based on our review conducted, nothing has come to our attention that causes us to believe that the accompanying Unaudited Special Purpose Condensed Consolidated Interim Financial Information is not prepared, in all material respects, in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India.



Other matters

5. We did not review the total liabilities amounting to INR 228 million as at June 30, 2019 included in the Unaudited Special Purpose Condensed Consolidated Interim Financial Information in respect to the joint operation not operated by the Group. This unaudited account balance has been compiled and certified by the management based on the unaudited information provided by the operator of the joint operation and have not been subjected to audit or review by independent auditors. Our conclusion on the Unaudited Special Purpose Condensed Consolidated Interim Financial Information, in so far as it relates to the amounts included in respect of this joint operation, is based solely on such unaudited or unreviewed account balance. In our opinion and according to the information and explanations given to us by the management, these financial information are not material to the Group.
6. The Company had prepared a separate set of Unaudited Special Purpose Condensed Consolidated Interim Financial Information for the quarter ended June 30, 2019, in accordance with the recognition and measurement principles laid down in Ind AS 34 prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India for the purpose of preparation of consolidated financial information by the shareholders, on which we issued a separate review report dated July 25, 2019 to the Board of Directors of the Company.

Our conclusion on the Unaudited Special Purpose Condensed Consolidated Interim Financial Information is not modified in respect of these matters.

Restriction on use and distribution

7. This report on Unaudited Special Purpose Condensed Consolidated Interim Financial Information is being issued solely in connection with the proposed issuance of US Dollar denominated Senior Unsecured Notes by the Parent to be listed on the Singapore Stock Exchange. The Unaudited Special Purpose Condensed Consolidated Interim Financial Information is not a complete set of financial statements of the Group in accordance with the Indian Accounting Standards prescribed under section 133 of the Act, as applicable and is not intended to give a true and fair view of the financial position of the Group as of June 30, 2019, and of its consolidated financial performance (including other comprehensive income), statement of consolidated changes in equity, and its consolidated cash flows for the quarter then ended in accordance with the Indian Accounting Standards prescribed under section 133 of the Act, as applicable. Accordingly, this report should not be used or referred to for any other purpose, or distributed to any other person, without our prior written consent.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)



Jitendra Agarwal
Jitendra Agarwal
Partner
(Membership No. 87104)

UDIN:19087104AAAADO6212

Place: Gurugram

Date: September 24, 2019

HPCL-MITTAL ENERGY LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019

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

	As at 30 June 2019 Unaudited	As at 31 March 2019 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	2,28,430	2,30,359
Capital work in progress	77,862	68,321
Intangible assets	208	223
Financial assets		
Loans	527	311
Other financial assets	1,080	1,347
Deferred tax assets (net)	9,514	9,338
Tax assets (net)	685	935
Other non-current assets	11,451	8,083
	3,29,757	3,18,917
Current assets		
Inventories	65,320	67,766
Financial assets		
Investments	-	1,817
Trade receivables	36,082	25,651
Cash and cash equivalents	2,220	1,476
Other bank balances	5,004	45
Other financial assets	393	452
Other current assets	1,428	1,567
	1,10,447	98,774
TOTAL ASSETS	4,40,204	4,17,691
EQUITY AND LIABILITIES		
Equity		
Equity share capital	80,411	80,411
Other equity	27,869	25,087
	1,08,280	1,05,498
Liabilities		
Non-current liabilities		
Financial Liabilities		
Borrowings	2,20,458	2,11,722
Other financial liabilities	2,464	1,300
Provisions	1,436	1,180
Deferred tax liabilities (net)	2,122	2,023
Other non-current liabilities	1,851	3,486
	2,28,331	2,19,711
Current liabilities		
Financial Liabilities		
Borrowings	30,583	18,611
Trade payables		
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	46,823	60,309
Other financial liabilities	9,185	8,409
Other current liabilities	16,410	4,066
Provisions	368	337
Current tax liabilities (net)	224	750
	1,03,593	92,482
TOTAL EQUITY AND LIABILITIES	4,40,204	4,17,691

The accompanying notes are an integral part of the unaudited special purpose condensed consolidated interim financial information

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

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

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi
Date: 24 September 2019

Place: New Delhi
Date: 24 September 2019

HPCL-MITTAL ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 JUNE 2019

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

	For three months ended 30 June 2019 Unaudited	For three months ended 30 June 2018 Unaudited
Income		
Revenue from operations	1,52,744	1,51,542
Other income	2,208	2,897
Total Income	1,54,952	1,54,439
Expenses		
Cost of raw materials consumed	1,06,633	96,917
(Increase)/decrease in inventories	(1,480)	(4,948)
Excise duty on sale of goods	36,510	39,087
Employee benefits expense	878	868
Finance costs	2,502	3,904
Depreciation and amortisation expense	3,060	2,986
Other expenses	3,458	8,797
Total expenses	1,51,561	1,47,611
Profit before tax	3,391	6,828
Tax expense		
Current tax (Minimum alternate tax)	668	1,477
Deferred tax charge/(credit)	(70)	307
Total tax expense	598	1,784
Profit for the period	2,793	5,044
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or (loss) in subsequent periods:		
Re-measurement losses on defined benefit obligations	(18)	20
Income tax impact	7	(7)
Net other comprehensive income/(loss) not to be reclassified to profit or (loss) in subsequent periods	(11)	13
Total comprehensive income for the period	2,782	5,057
Earnings per equity share in INR computed on the basis of profit for the period		
Basic	0.35	0.63
Diluted	0.35	0.63

The accompanying notes are an integral part of the unaudited special purpose condensed consolidated interim financial information

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

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

Jitendra Agarwal
Partner

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi
Date: 24 September 2019

Place: New Delhi
Date: 24 September 2019

HPCL-MITTAL ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED 30 JUNE 2019

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

(a) Equity share capital

	No. million	INR million
As at 31 March 2018 (Audited)	8,041	80,411
Changes in equity share capital during the period	-	-
As at 30 June 2018 (Unaudited)	8,041	80,411
Changes in equity share capital during the period	-	-
As at 31 March 2019 (Audited)	8,041	80,411
Changes in equity share capital during the period	-	-
As at 30 June 2019 (Unaudited)	8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debenture Redemption Reserve	Total
As at 31 March 2018 (Audited)	7,819	3,865	11,684
Profit for the period	5,044	-	5,044
Other comprehensive income for the period	13	-	13
Transfer from retained earnings	(100)	100	-
As at 30 June 2018 (Unaudited)	12,776	3,965	16,741
As at 31 March 2019 (Audited)	20,908	4,179	25,087
Profit for the period	2,793	-	2,793
Other comprehensive income for the period	(11)	-	(11)
Transfer from retained earnings	(107)	107	-
As at 30 June 2019 (Unaudited)	23,583	4,286	27,869

The accompanying notes are an integral part of the unaudited special purpose condensed consolidated interim financial information

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

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

Jitendra Agarwal
Partner

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

Date: 24 September 2019

Place: New Delhi

Date: 24 September 2019

HPCL-MITTAL ENERGY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 30 JUNE 2019

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

	For three months ended 30 June 2019 Unaudited	For three months ended 30 June 2018 Unaudited
Net cash (used in)/generated from operating activities (A)	(1,237)	19,537
Net cash used in investing activities (B)	(15,334)	(10,743)
Net cash from/(used in) financing activities (C)	17,316	(7,369)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	745	1,425
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,475	67
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,220	1,492
Balances with scheduled banks		
-On current accounts	219	67
-Deposits with original maturity of upto 3 months	2,001	1,425
Cash and cash equivalents	2,220	1,492

The accompanying notes are an integral part of the unaudited special purpose condensed consolidated interim financial information

In terms of our report attached

For Deloitte Haskins & Sells LLP
Chartered Accountants

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

Jitendra Agarwal
Partner

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi
Date: 24 September 2019

Place: New Delhi
Date: 24 September 2019

NOTES TO UNAUDITED SPECIAL PURPOSE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED 30 JUNE 2019

(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. Limited, Singapore (a wholly owned subsidiary of Mittal Investments S.a.r.l, Luxembourg) ('Mittal Energy') became a joint venture Company with equal equity participation by HPCL and Mittal Energy. The Company is domiciled in India and is limited by shares. The registered office of the Company is located at Village Phulokhari, Taluka Talwandi Saboo, Bathinda, Punjab - 151301.

The Company is engaged in the business of refining of crude oil and has a petroleum refinery of 11.3 Million Metric Tonne Per Annum (MMTPA) called Guru Gobind Singh Refinery at Bathinda, Punjab.

The Company has a wholly owned subsidiary, viz. HPCL-Mittal Pipelines Limited ('HMPL'), domiciled in India and limited by shares which owns and operates a Single Point Mooring ('SPM'), crude receipt and storage facility at Mundra port, Gujarat and 1,017 kilometers cross country pipeline for storage and transportation of crude oil. During the FY 2018-19, a non-profit organisation has also been incorporated under Section 8 of the Companies Act, 2013 ('Act'), which is wholly owned by the Company.

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

2. Basis of preparation and Group's accounting policies

These are unaudited special purpose condensed consolidated interim financial information for the quarter ended 30 June 2019 and have been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 'Interim Financial Reporting' ('Ind AS 34'), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India for the purpose of reporting by the Group to its shareholders and lenders.

The unaudited special purpose condensed consolidated interim financial information do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 March 2019.

3. Adoption of new Indian Accounting Standard

Effective 1 April 2019, the Group adopted Ind AS 116 ('Leases') and applied the standard to all lease contracts existing on 1 April 2019 using the modified approach. Accordingly, the Group has not restated the comparative information on initial application. The Group's leases primarily consist of leases for land and buildings. Consequently, the Group has recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right-of-use assets at its carrying amount. On transition, the adoption of new standard resulted in recognition of right-of-use assets of INR 784 million and a lease liability of INR 660 million.

With respect to contracts executed prior to 1 April 2019, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17. On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-of-use asset, and finance cost for interest accrued on lease liability.

4. Events occurring after the reporting period

Subsequent to the quarter ended June 30, 2019, the Government of India vide the Taxation Laws (Amendment) Ordinance dated September 20, 2019 has introduced changes in the corporate tax rate structure effective from financial year beginning 1 April 2019 whereby the companies can opt to be taxed at a lower effective tax rate of 25.17 % (subject to not availing certain deductions/ exemptions) (referred as "New Regime") against prevailing 34.944% (after claiming deductions/ exemptions). Further, such companies opting for New Regime would also not be subjected to cash outflow on account of Minimum Alternate Tax. The Company is in the process of evaluating whether to opt for the New Regime or to continue to be taxed under the existing provisions.

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

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Harak Banthia
Chief Financial Officer

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi
Date: 24 September 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

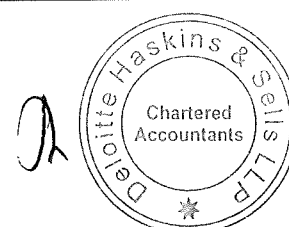
Key Audit Matters

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



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

Sr. No.	Key Audit Matter	Auditor's Response
1	Settlement of deferred central sales tax liabilities (Refer Note 2(g) and 29 to the consolidated financial statements): As per its entitlement, the Group has been adjusting the interest free loan (IFL) with net present value of deferred central sales tax (CST) liabilities, which is computed by applying judgements in relation to the discounting rate applied and the basis of computation of net present value of CST and hence it is considered as a key audit matter.	Principal audit procedures performed: • reviewed the relevant terms of the Deed of Assurance (DoA) and the legal advice obtained by the Group; • assessed the competence, capability and objectivity of the management's expert (legal adviser); • verified the basis and mathematical accuracy of the computation of the net present value of the CST liability based on the terms of the DoA and the legal advice; and • reviewed the correspondence with relevant departments and assessed the implications, if any on the computation of the liability. As a result of our work performed as described above, we concluded that the judgements applied by the management in relation to the discounting rate and the basis of computation of net present value of CST are reasonable.
2	Recognition of deferred tax assets (Refer Note 2(g) and 6.4 to the consolidated financial statements): The Group has recognised net deferred tax assets (DTA) on carried forward tax losses, unabsorbed depreciation and is carrying minimum alternate tax (MAT) assets on the basis of estimated future profits and its timing against which tax deductions represented by the DTAs can be offset. The assessment of the likelihood of future taxable profits being available and the length of the forecast period also require significant management judgment and hence it is considered as a key audit matter.	Principal audit procedures performed: • evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the current tax and deferred tax computations; • assessed the reasonability and consistency of the assumptions considered by the management in preparation of the underlying projections and the reliability of the process by which the estimates were calculated, by assessing the reasons for differences between projected and actual performances; • verified that the applicable tax rates taken into account and assessed the duration of the carry forward tax losses; and • the schedules for the reversal of temporary differences and therefore the opportunities for offsetting deferred tax liabilities.



Sr. No.	Key Audit Matter	Auditor's Response
		As a result of our work performed as described above, we concluded that the estimation used by the management is reasonable.
3	Uncertain tax position (Indirect taxes) (Refer Note 33 (a)(5) and 33(a)(6) to the consolidated financial statements): The Group has material uncertain tax positions (Indirect taxes) including matters under dispute which involves significant judgments to determine the possible outcome of these disputes and hence it is considered as a key audit matter.	Principal audit procedure performed: - evaluated the appropriateness of the design and tested operating effectiveness of management's controls over the review of the tax litigation matters; - obtained confirmations from management's experts of the Group for the possible outcome of the outstanding cases relating to indirect tax; - assessed the competency, objectivity and capability of the management's experts involved; and - involved our internal indirect tax specialists to challenge the underlying assumptions in estimating the possible outcome of the disputes. Our internal indirect tax specialists also considered the legal precedence and other rulings in evaluating management's position on these uncertain tax positions. As a result of our work performed as described above, we concluded that the judgements applied by the management are reasonable.

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

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

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

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



Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

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

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

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



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

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

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

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

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



Other Matter

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

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

Report on Other Legal and Regulatory Requirements

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



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

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

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

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



A handwritten signature in black ink, appearing to read "Jitendra Agarwal".

Jitendra Agarwal
Partner
(Membership No.87104)

Place: New Delhi
Date: 02 May 2019

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

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

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

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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



Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

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

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



A handwritten signature in black ink, appearing to read "Jitendra Agarwal".

Jitendra Agarwal
Partner
(Membership No. 87104)

Place: New Delhi
Date: 02 May 2019

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2019

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

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

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

Place: New Delhi
Date: 2 May 2019

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

Rajan Tandon
Director
DIN 01968916

Place: New Delhi

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 2 May 2019

R. Kesavan
Director
DIN 08202118

Place: New Delhi

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: London

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

CONSOLIDATED STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED 31 MARCH 2019

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

Particulars	Notes	31 March 2019	31 March 2018
Income			
Revenue from operations	15	623,780	399,431
Other income	16	7,655	7,577
Total Income		631,435	407,008
Expenses			
Cost of raw materials consumed	17	416,140	226,347
(Increase)/decrease in inventories	18	(3,024)	5,465
Excise duty on sale of goods		151,501	121,423
Employee benefits expense	19	3,217	2,725
Finance costs	22	13,399	11,527
Depreciation and amortisation expense	21	12,110	11,429
Other expenses	20	18,840	6,197
Exploration costs written off		11	45
Total expenses		612,194	385,158
Profit before tax		19,241	21,850
Tax expense			
Current tax (Minimum alternate tax)		4,110	4,638
Deferred tax charge	6	449	918
Total tax expense		4,559	5,556
Profit for the year		14,682	16,294
Other comprehensive income			
Other comprehensive income not to be reclassified to profit/(loss) in subsequent years:			
Re-measurement losses on defined benefit obligations		(75)	(4)
Income tax impact	6	26	-
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years		(49)	(4)
Total comprehensive income for the year		14,633	16,290
Earnings per equity share in INR computed on the basis of profit for the year	23		
Basic		1.83	2.03
Diluted		1.83	2.03

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

Place: New Delhi
Date: 2 May 2019

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

Rajan Tandon
Director
DIN 01968916

Place: New Delhi

Harak Banthia
Chief Financial Officer

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Date: 2 May 2019

R. Kesavan
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Place: New Delhi

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: London

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

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

(a) Equity share capital

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

(b) Other equity

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

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

Place: New Delhi
Date: 2 May 2019

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

Rajan Tandon
Director
DIN 01968916

Place: New Delhi

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 2 May 2019

R. Kesavan
Director
DIN 08202118

Place: New Delhi

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: London

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

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

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

Notes:

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

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

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

Place: New Delhi
Date: 2 May 2019

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

Rajan Tandon
Director
DIN 01968916

Place: New Delhi

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 2 May 2019

R. Kesavan
Director
DIN 08202118

Place: New Delhi

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: London

Sidhartha Tyagi
Company Secretary
Membership No. A 14544
Place: New Delhi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

1. Corporate Information

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

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

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

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

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

2. Significant accounting policies

(a) Basis of preparation

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

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

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

(b) New and amended standards and interpretations

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

(i) New Ind AS effective during the year

Ind AS 115 Revenue from Contracts with Customers

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

The Group has reviewed all type of contracts with customers and has identified that there is generally one performance obligation. The Group fulfils its performance obligation through delivery of the products, which occurs at a particular point in time. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

Group adopted Ind AS 115 using modified retrospective approach with effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018) and has not restated the comparatives as at and for the year ended 31 March 2018 basis the exemption available in the standard.

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

(ii) Amendment to Ind AS effective during the year

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

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

Amendment to Ind AS 38 Intangible Assets acquired free of charge

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

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

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

Amendments to Ind AS 40 Transfer of Investment Property

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

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

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

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

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

(c) Recent accounting pronouncements

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

Ind AS 116 Leases

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

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

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

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

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

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

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

Ind AS 109 Prepayment Features with Negative Compensation

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

Ind AS 19 Plan Amendment, Curtailment or Settlement

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

Ind AS 23 Borrowing Costs

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

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

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

Ind AS 103 Business Combinations and Ind AS 111 Joint Arrangements

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

(d) Basis and principles of consolidation

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

- 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.

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

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

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

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

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

Consolidation procedures:

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

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

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

- a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
- b) Derecognises the carrying amount of any non-controlling interests
- c) Derecognises the cumulative translation differences recorded in equity

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- d) Recognises the fair value of the consideration received
- e) Recognises the fair value of any investment retained
- f) Recognises any surplus or deficit in profit or loss
- g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(e) Historical cost convention

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

(f) Functional and presentation currency

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

(g) Significant accounting judgments, estimates and assumptions

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

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

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

Critical judgments in applying accounting policies

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

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

Key source of estimation uncertainty

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

i) Useful lives of property, plant and equipment

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

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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.

iv) Fair value measurement of financial instruments

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

v) Recognition of Deferred tax asset

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

(h) Current and non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification.

An asset is classified as current when it satisfies any of the following criteria:

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

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

- It is expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within 12 months after the reporting date; or
- The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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Operating cycle

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

(i) Summary of significant accounting policies

1) Property, plant and equipment (PPE)

Recognition and measurement

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

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

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

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

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

Subsequent costs and disposal

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

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

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

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

Depreciation and useful lives

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

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Particulars	Useful Life (Years)
Building *	30
Building (culverts)	30
Building (roads)	5
Temporary buildings and water lines	3
Plant and equipment (refinery assets)	25
Plant and equipment (captive power plant)	40
Plant and equipment (crude oil pipeline)	30
Plant and equipment (pumps)	25
Plant and equipment (lab equipment)	10
Plant and equipment (others)	15
Railway Sidings	15
Furniture and Fixtures	10
Vehicles	8
Office Equipment	5
Computer and peripherals - end user devices	3
Computer and peripherals - server	6

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

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

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

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

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 amortisation and accumulated impairment losses, if any. The Group has decided to continue with the value of intangible assets recognised as at 1 April 2015 measured as per the previous GAAP as the deemed cost of intangible assets.

Amortisation

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

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

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

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

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

4) Financial instruments

Recognition and subsequent measurement

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

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

A. Financial assets

(i) Cash and cash equivalents

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

(ii) Other bank balances

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

(iii) Financial assets at amortised cost

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

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

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

(v) Impairment of financial assets

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

(vi) Derecognition of financial assets

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

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

B. Equity instruments and financial liabilities

(i) Equity instruments

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

(ii) Financial liabilities

a) Financial liabilities subsequently measured at amortised cost

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

b) Derecognition of financial liabilities

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

C. Effective interest rate (EIR)

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

D. Derivative financial instruments

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

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

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

E. Offsetting of financial assets and financial liabilities

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

F. Fair value measurement

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

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

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

5) Borrowing costs

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

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

6) Inventories

Inventories are valued as follows:

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

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

Scrap: Scrap is valued at net realizable value.

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

7) Government grants and subsidies

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

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

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

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

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

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8) Provisions

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

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

9) Contingent liabilities

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

10) Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

The Group operates the following post-employment schemes:

Defined contribution plan: Provident fund

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

Defined benefit plan - Gratuity

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

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

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

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

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

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

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

11) Revenue recognition

Sale of goods

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

Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, and amounts collected on behalf of third parties.

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

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

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

Interest income

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

12) Accounting for foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

13) Income taxes

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

Current tax

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

Deferred tax

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

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

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

14) Segment reporting

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

Identification of segments:

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

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

15) Leases

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

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

16) Earnings per share

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3.1 Property, plant and equipment

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

Notes :

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

3.2 Capital work in progress

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

4. Intangible assets

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

5. Financial assets

5.1 Investments

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Unquoted equity instruments				
Other Investment (valued at cost unless stated otherwise)				
0.01 million (31 March 2018 : INR Nil) equity shares of INR 10 each fully paid-up in HPCL-Mittal Foundation*	-	-	-	-
	-	-	-	-

*Amounts are less than INR 0.5 million

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

5.2 Loans (at amortised cost)

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Security deposit	311	215	-	2
	311	215	-	2

5.3 Other bank balances

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
- Deposits with original maturity for more than 3 months but upto 12 months*	-	-	18	400
- Deposits with original maturity of more than 12 months *	-	27	27	-
	-	27	45	400

* pledged with the bank.

5.4 Current investments

	Current	
	31 March 2019	31 March 2018
Investments in mutual fund (at fair value through profit and loss)		
Quoted mutual fund		
SBI mutual fund - 620,462 units (31 March 2018: Nil)	1,817	-
	1,817	-

5.5 Trade receivables (at amortised cost)

	Current	
	31 March 2019	31 March 2018
Unsecured and considered good		
Trade receivables	25,651	20,430
	25,651	20,430

Note:

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

5.6 Cash and cash equivalents

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

5.7 Other financial assets

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

6. Deferred tax

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

6.1 Deferred tax assets (net)

	31 March 2019	31 March 2018
Balance at the beginning of the year	9,394	11,645
Balance at the end of the year	9,338	9,394
Deferred tax charge recognised:	56	2,251
in the consolidated statement of profit and loss	81	2,251
in the consolidated statement of other comprehensive income	(25)	-

6.2 Deferred tax liabilities (net)

	31 March 2019	31 March 2018
Balance at the beginning of the year	1,656	2,989
Balance at the end of the year	2,023	1,656
Deferred tax (credit)/charged recognised	367	(1,333)
in the consolidated statement of profit and loss	368	(1,333)
in the consolidated statement of other comprehensive income	(1)	-
Net Deferred tax charge recognised in the consolidated statement of profit and loss		
in the consolidated statement of profit and loss	449	918
Other comprehensive income		
in the consolidated statement of other comprehensive income	(26)	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	31 March 2019	31 March 2018
Accounting profit before income tax	19,241	21,850
At India's statutory income tax rate of 34.944% (31 March 2018: 34.944%)	6,724	7,635
Tax effect of :		
-Gain on settlement of central sales tax exempted from tax	(2,478)	(1,618)
-Foreign exchange fluctuation differences on non-current borrowings:		
Allowable tax expense due to introduction of section 43AA of Income Tax Act 1961	-	961
-Derivative instruments	(1)	(283)
-Corporate social responsibility expenses	207	81
-Impact due to revision in estimate for claiming section 80IA of Income Tax Act, 1961	-	(1,502)
-Charge in respect to the adjustment on account of previous years	6	190
-Impact due to change in tax rate	-	97
-Others	127	21
At the effective income tax rate of 23.829% (31 March 2018: 25.547%)	4,585	5,582
At India's statutory tax rate for capital gains of 23.296% (31 March 2018: 23.296%)		
Difference between book value and indexed cost of land	(26)	(26)
	(26)	(26)
At the effective income tax rate of 23.694% (31 March 2018: 25.428%)	4,559	5,556

6.4 Composition of deferred tax balances

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

Note:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

7. Tax assets (net)

	Non-current	
	31 March 2019	31 March 2018
Advance income-tax*	935	1,019
	935	1,019

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

8. Other assets

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

9. Inventories

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

Notes:

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

10. Equity share capital

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

(d) Terms/ rights attached to equity shares

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

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

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

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

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

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

11. Financial Liabilities

11.1 Borrowings (at amortised cost)

	Non-current		Current maturities	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Debentures (Secured)				
2,000 (31 March 2018 : 2,000) 4% Non-Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'I')	3,184	2,946	-	-
3,400 (31 March 2018 : 3,400) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (refer 'a')	16,493	15,231	-	-
77 (31 March 2018 : 743) 4% Non-Convertible Debentures (STRPP A,B,C) of INR 3 million each fully paid up (Series II) (refer 'I')	370	342	-	2,971
Foreign currency redeemable bonds (Unsecured)				
5.25% Senior unsecured notes (refer 'b')	25,600	24,010	-	-
Term loans (Secured)				
Indian rupee loan from banks (refer 'c', 'd', 'e')	41,768	10,000	1,250	-
Foreign currency loan from banks (refer 'f', 'g', 'h' 'm')	99,322	89,981	954	919

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Non-current		Current maturities	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Term loans (Unsecured)				
Foreign currency loan from banks (refer 'i', 'j')	20,174	14,357	-	-
Indian rupee loan from banks	-	4,500	-	-
Indian rupee loan from Government of Punjab (refer 'k')	4,811	3,475	20	10
	211,722	164,842	2,224	3,900
The above amount includes				
Secured borrowings	161,137	118,500	2,204	3,890
Unsecured borrowings	50,585	46,342	20	10
Less: Amount disclosed under the head "Other financial liabilities" (note 11.5)	-	-	(2,224)	(3,900)
Net amount	211,722	164,842	-	-

Notes:

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

- Redeemable 4% Non-Convertible Debentures (NCDs) were issued at par on 3 September 2012. These are secured by first pari-passu charge on Fixed Assets (Property, plant and equipment) of the Company except the assets pertaining to the petrochemical project to the extent of 1.25 times of the issue size. The series consists of three detachable and Separately Transferable Principal Parts (STRPP) A, B and C. STRPP A, B and C debentures are redeemable at a premium of INR 0.82 million, INR 0.97 million and INR 1.15 million per debenture respectively on 3 September 2020, 3 September 2021 and 3 September 2022 respectively, being the 8th, 9th and 10th year respectively from the date of allotment. The effective interest rate (EIR) of such NCDs is 10.90%.
- US Dollar redeemable 5.25% notes were issued at par on 28 April 2017 and are repayable on 28 April 2027. These are unsecured notes. The effective interest rate (EIR) of these notes is 5.25%.
- Indian rupee loan of INR 15,000 million (31 March 2018 : INR 10,000 million) outstanding is secured by a hypothecation through a residual charge over movable Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in a bullet installment after 36 months from the date of first disbursement, i.e., 28 September 2018. The loan carries interest rate of 8.70% p.a.
- Indian rupee loan of INR 10,000 million (31 March 2018 : INR Nil) outstanding is secured by a hypothecation through a subservient charge over current assets and movable Fixed Assets (Property, plant and equipment) of the Company. The loan is repayable in 8 equal quarterly installments starting from 31 March 2020. The loan carries interest rate of 8.65% p.a.
- Further, Indian rupee loans of INR 18,211 million (31 March 2018: INR Nil), inclusive of unamortised ancillary borrowing cost of INR 193 million (31 March 2018 : INR Nil), are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The loans are repayable in 35 (thirty five) structured quarterly installments starting from 30 December 2023. The loans carry an interest rate of 9.25% p.a.
- Foreign currency loan from banks equivalent to INR 10,638 million (31 March 2018 : INR 10,003 million), inclusive of unamortised ancillary borrowing cost of INR 90 million (31 March 2018 : INR 113 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. These loans are repayable as below:
 INR 3,026 million in 3 variable annual installments starting from February 2022 and carries interest rate of 3 month LIBOR plus a spread of 225 bps.
 INR 5,234 million in 3 variable annual installments starting from April 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.
 INR 2,378 million in 3 variable annual installments starting from June 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.

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INDEPENDENT AUDITOR'S
REPORT

BALANCE SHEET

STATEMENT OF
PROFIT AND LOSS

STATEMENT OF CHANGES
IN EQUITY

STATEMENT OF
CASH FLOWS

NOTES TO FINANCIAL
STATEMENTS

- (g) Foreign currency loan from banks equivalent to INR 65,978 million (31 March 2018: INR 64,194 million) inclusive of unamortised ancillary borrowing cost of INR 81 million (31 March 2018 : INR 97 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future except assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets except assets pertaining to the petrochemical project, hold a pari-passu first charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement except pertaining to the petrochemical project. The outstanding loan are repayable as under:
- (i) INR 45,792 million is repayable in 40 variable quarterly installments starting from 30 June 2018 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.
- (ii) INR 20,186 million is repayable in 16 variable quarterly installments starting from 31 March 2023 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.
- (h) Foreign currency loan from banks equivalent to INR 6,225 million (31 March 2018: INR Nil) inclusive of unamortised ancillary borrowing cost of INR 445 million (31 March 2018 : INR Nil) secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets, both present and future assets pertaining to the petrochemical project. Further, these lenders hold second pari-passu charge on the current assets of petrochemical project, hold a pari-passu first charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Designated Accounts and Trust and Retention Account Agreement of petrochemical project. The outstanding loan is repayable in 18 variable half yearly installments starting from 31 December 2023 and carries interest rate of 3 month LIBOR plus spread of 210 bps.
- (i) (1) Unsecured foreign currency loan equivalent to INR 5,084 million (31 March 2018: INR 4,781 million) inclusive of unamortised ancillary borrowing cost of INR 35 million (31 March 2018 : INR 42 million) is repayable in a bullet installment in January 2024. The loan carries an interest rate of 6 month LIBOR plus a spread of 240 bps.
- (2) Unsecured foreign currency loan equivalent to INR 10,271 million (31 March 2018: INR 9,658 million) inclusive of unamortised ancillary borrowing cost of INR 45 million (31 March 2018 : INR 40 million) is repayable in two equal annual instalments on 2 February 2023 and 2 February 2024. The loan carries an interest rate of 3 month LIBOR plus a spread of 193 bps.
- The above loans (1) and (2) are backed by a letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited, to the extent of INR 15,000 million.
- (j) Unsecured foreign currency loan equivalent to INR 4,911 million (31 March 2018: INR Nil) inclusive of unamortised ancillary borrowing cost of INR 12 million (31 March 2018 : INR Nil) is repayable in a bullet installment in March 2022. The loan carries an interest rate of 6 month LIBOR plus a spread of 250 bps.
- (k) Loan from Punjab Government is interest free and is repayable in 10 equal half yearly installments commencing after 66 months from the dates of disbursement. Amount is due to be paid back to Punjab Government w.e.f. April 2019. The said loan was initially measured at fair value using a rate of interest of 11% p.a. Also refer note 29.

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

- (l) Secured redeemable Non-Convertible Debentures (NCDs) Series I and Series II were issued at par on 4 October 2012 and 21 August 2012 respectively. These are secured by a first pari passu charge on Fixed Assets (Property, plant and equipment) to the extent of 1.25 times the issue size. Series I debentures are redeemable at a premium of INR 1.12 million per debenture on 5 October 2022 being the 10th year from the date of allotment, giving an effective interest rate ('EIR') of 10.75%.
- Series II debentures consists of 3 detachable and separately transferrable principal parts (STRPP) A, B and C. STRPP A, B, C are redeemable at a premium of INR 0.79 million, INR 0.95 million, INR 1.12 million per STRPP/debenture respectively on 21 August 2020, 21 August 2021, 21 August 2022 being the 8th, 9th and 10th year respectively from the date of allotment. During the current year, the Company has redeemed debentures aggregating to INR 2,000 million (31 March 2018 : INR 3,950 million) before the due date of maturities. The EIR on these is 10.75%.
- (m) Foreign currency loan from banks equivalent to INR 18,157 million (31 March 2018 : INR 17,074 million) net of unamortised ancillary borrowing cost of INR 105 million (31 March 2018 : INR 161 million) are secured by a mortgage and first charge, ranking pari-passu amongst the lenders, over all movable and immovable properties and assets of the Company, both present and future, save and except current assets (except deposits and accounts under the Trust and Retention Account Agreement) on which working capital lenders (if any) would have a first charge, and these lenders have a second charge. The loan carries an interest rate of 6 months LIBOR plus a spread of 260 bps. The loan is repayable in two installments of INR 6,052 million and INR 12,105 million on 31 March 2021 and 22 April 2021 respectively.

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11.2 Borrowings

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

Notes:

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

- Unsecured foreign currency loan equivalent to INR 6,124 million (31 March 2018: INR Nil) is repayable in April 2019. The loan carries an interest rate of 2.99% p.a.
- INR 2,960 million (31 March 2018 : INR 4,955 million) represents Commercial Paper of face value INR 3,000 million issued to investors on unsecured basis. The loan carries an interest rate which is determined and fixed on the date of availing of the loan which is presently at 7.80% p.a. This loan is repayable in June 2019.
- INR 6,490 million (31 March 2018 : INR 1,178 million) Indian rupee loan is secured by first charge, ranking pari-passu amongst the lenders, on all current assets of the Company except assets pertaining to the petrochemical project, save and except deposits and accounts under the trust and retention account, and have a second charge ranking pari-passu on all movable and immovable Property, plant and equipment of the Company, both present and future except assets pertaining to the petrochemical project. The loan carries an interest rate ranging from 8.35% to 8.65%.

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

- Secured Indian rupee loans to be repaid in 3 months to 6 months from date of drawdown and carries an interest rate of 1 month to 3 months MCLR (presently, 8.35% to 8.45% p.a.). The said loan is secured on residual charge basis over movable Fixed Assets (Property, plant and equipment) of the Company.
- INR 2,925 million represents Commercial Paper of face value INR 2,950 million issued to investors on unsecured basis. The loans carry an interest rate which is determined and fixed on the date of availing of the loan which is ranging from 7.50% p.a. to 7.95% p.a. These are repayable from 3 May 2019 to 3 June 2019.

11.3 Reconciliation of liabilities arising from financing activities

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

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

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

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11.4 Trade payables

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

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

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

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

11.5 Other financial liabilities

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

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

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

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12. Provisions

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

Notes :

- Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2018 of INR 1,696 million has increased by additional provision of INR 126 million and reduced by INR 1,679 million on account of settlement with the vendors during the year.
- The Group has made provision for potential claims that may arise upon final settlement of some of the Group's dues. The opening provision of INR 994 million as on 1 April 2018 has changed due to reduction in provision during the year of INR 92 million and increased due to unwinding of discount of INR 109 million.

13. Other liabilities

	Non-current		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Advance from customers	-	-	295	374
Statutory dues payable	-	-	3,128	3,216
Government incentives*	3,486	3,065	643	493
Total other liabilities	3,486	3,065	4,066	4,083

* Movement in government incentives

	31 March 2019	31 March 2018
At the beginning of the year	3,558	3,252
Received during the year	1,064	694
Released to the consolidated statement of profit and loss (note 22)	(493)	(388)
At the end of the year	4,129	3,558

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

14. Current tax liabilities

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

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

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15. Revenue from operations

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

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

Productwise category

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

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

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

16. Other income

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

17. Cost of raw materials consumed

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

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

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18. (Increase)/decrease in inventories

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

19. Employee benefits expense

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

20. Other expenses

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

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

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

*Amounts are less than INR 0.5 million

b) Details of CSR expenditure

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

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

21. Depreciation and amortisation expense

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

22. Finance costs

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

23. Earnings per share (EPS)

	31 March 2019	31 March 2018
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)	14,682	16,294
Weighted average number of equity shares in calculating basic and diluted EPS (in million)	8,041	8,041
Basic - Par value of INR 10 per share (in INR)	1.83	2.03
Diluted - Par value of INR 10 per share (in INR)	1.83	2.03

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24. Related party disclosures

24.1 Related parties : Nature of relationship

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

24.2 Transactions with related parties

Particulars	Joint venture companies having significant influence				Holding company of joint venturer (HPCL)				Key management personnel			
	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Oil and Natural Gas Corporation Limited							
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Transactions during the year												
Allocation of expenses	180	143	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses paid/payable	9	6	-	-	-	-	-	-	-	-	-	-
Purchase of goods	1,628	913	-	-	-	-	-	-	-	-	-	-
Purchase of services	2	-	-	-	-	-	-	-	-	-	-	-
Sale of goods (inclusive of taxes)	578,302	376,232	-	-	-	-	-	-	-	-	-	-
Sale of crude oil	1,618	-	-	-	-	-	-	-	-	-	-	-
Final dividend for financial year 2017-18	500	-	500	-	-	-	-	-	-	-	-	-
Sales of spares	-	2	-	-	-	-	-	-	-	-	-	-
Purchase of spares	2	-	-	-	-	-	-	-	-	-	-	-
Contribution towards exploration expenses	-	-	-	-	11	-	-	-	-	-	-	-
Remuneration paid to key managerial personnel:												
(i) short-term employment benefits	-	-	-	-	-	-	-	-	118	-	104	-
(ii) post-employment benefits	-	-	-	-	-	-	-	-	19	-	13	-
(iii) other long term benefits	-	-	-	-	-	-	-	-	6	-	2	-
(iv) termination benefits	-	-	-	-	-	-	-	-	-	-	1	-
(v) sitting fees	-	-	-	-	-	-	-	-	4	-	4	-

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24.3 Balance outstanding

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

Notes:

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

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25. Financial Instruments

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

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

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

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

- The carrying amounts of all the financial instruments mentioned in the table above except borrowings and certain derivatives included in other financial assets and other financial liabilities are considered to be the same as their fair values.
- The fair value of the derivative financial instruments have been derived using the valuation techniques since these are not traded in the active market. These instruments are classified as level 2 fair values in the fair value hierarchy.
- The fair values of non-current borrowings are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

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

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

26. Financial risk management

Risk management framework

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

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

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

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

(a) Credit risk

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

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

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

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

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(b) Liquidity risk

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

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

31 March 2019	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	14,218	119,818	123,426	12,353	269,815
Borrowings (current)	18,694	-	-	-	18,694
Trade payable	60,925	-	-	-	60,925
Other financial liabilities	6,467	874	-	-	7,341
Payments for operating leases	76	128	210	84	498
Derivative financial liabilities	72	462	-	-	534
31 March 2018	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	12,912	74,929	112,125	32,667	232,633
Borrowings (current)	22,521	-	-	-	22,521
Trade payable	49,988	-	-	-	49,988
Other financial liabilities	5,744	-	-	-	5,744
Payments for operating leases	73	154	197	118	542
Derivative financial liabilities	252	1	-	-	253

* includes current maturities of non-current borrowings

(c) Market risk

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

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

(c.1) Foreign currency exchange risk

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

(c.2) Interest rate risk

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

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

(c.3) Commodity price risk

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

27. Capital management

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

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

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

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

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

** Includes current maturities of non-current borrowings.

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

28. Employee benefits

28.1 Defined contribution plan

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

28.2 Gratuity

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

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

(i) Net employee benefits expense recognised in employee benefits expense

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

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

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AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

(b) Remeasurement recognised directly in other comprehensive income

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

(ii) Benefit assets/(liability)

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

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

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

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

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

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

* Amounts are less than INR 0.5 million.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

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

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

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

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

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

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

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

- (vi) Risk exposure

The Group is exposed to the following risk:

- Interest rate risk: The defined benefit obligation is calculated using the discount rate based on government bonds. If bond yields fall the defined benefit obligation will tend to increase.
- Salary inflation risk: The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of the participant in future. Deviation in the rate of increase of salary is future for plan participants from the rate of increase in salary used to determine the present value of obligation will have bearing on the plan's liability.
- Mortality rate: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

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

- (viii) Maturity profile of defined benefit obligation

Year	31 March 2019	31 March 2018
(a) 0 to 1 year	61	40
(b) 1 to 2 year	22	26
(c) 2 to 3 year	12	8
(d) 3 to 4 year	10	8
(e) 4 to 5 year	12	7
(f) 5 to 6 year	8	5
(g) 6 year onwards	352	241

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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

INDEPENDENT AUDITOR'S
REPORT

BALANCE SHEET

STATEMENT OF
PROFIT AND LOSS

STATEMENT OF CHANGES
IN EQUITY

STATEMENT OF
CASH FLOWS

NOTES TO FINANCIAL
STATEMENTS

29. Settlement of deferred sales tax loan

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

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

30. Debenture Redemption Reserve (DRR)

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

31. Capital commitments

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

32. Segment reporting

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

Geographical segment

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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 2019	31 March 2018
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation	372	330
3.	Claims raised by project vendors	2,794	2,764
4.	Penal demand raised by income tax department	18	323
5.	Demand for service tax and penalty raised by service tax department	358	357
6.	Disallowance of cenvat credit including interest and penalty by department	1,068	1,067

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

(b) Other litigations

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

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

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

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

35. Leases: Operating leases

The Group has entered into lease arrangements for office premises, guest houses and car terms varying between 3 to 6 years. There are no restrictions imposed by lease arrangements. There are no subleases. There is no contingent rent. The lease agreements do not carry any significant escalation clause.

The operating lease payment recognised in the consolidated statement of profit and loss of the Group amounts to INR 314 million (31 March 2018 : INR 252 million). The future minimum lease amounts under non cancellable operating leases and operating leases having lock in periods are as follows:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

* Adjustments for intra group transaction and/or balances

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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38. Events after the reporting period

Dividend

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

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

Rajan Tandon
Director
DIN 01968916

Place: New Delhi

R. Kesavan
Director
DIN 08202118

Place: New Delhi

Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Place: London

Harak Banthia
Chief Financial Officer

Place: New Delhi
Date: 2 May 2019

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Place: New Delhi

**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 Parent") and its subsidiary (the Parent and its subsidiary together referred to as "the Group"), comprising the Consolidated Balance Sheet as at 31 March 2018, 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 the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements") and which includes a joint operation consolidated on a proportionate basis with the Parent.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "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 in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; 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 consolidated Ind AS 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 Parent, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our 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 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 consolidated Ind AS financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material

misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent'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 the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS 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 Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2018, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Other Matters

- a) The comparative financial information as at and for the year ended 31 March 2017 prepared in accordance with Ind AS and included in these consolidated Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information dated 19 May 2017 expressed an unmodified opinion.
- b) We did not audit the total liabilities amounting to INR 225 million as at 31 March 2018 and exploration costs written off of INR 45 million for the year ended 31 March 2018 included in these consolidated Ind AS financial statements in respect to the joint operation not operated by the Group. These unaudited account balances have been compiled and certified by the management based on the unaudited information provided by the operators and have not been subjected to audit by independent auditors. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts included in respect of these joint operation, is based solely on such unaudited account balances. In our opinion and according to the information and explanations given to us by the Management, these financial information are not material to the Group.

Our opinion on the consolidated Ind AS financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit we report, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements



- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Parent and subsidiary as on 31 March 2018 taken on record by the Board of Directors of the Parent and subsidiary, none of the directors of the Group companies, is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (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 Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - 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.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent and its subsidiary.

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



Jitendra Agarwal

Jitendra Agarwal
Partner
(Membership No. 87104)

Place: GURUGRAM
Date: 08 MAY 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)****Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated Ind AS financial statements of the Parent as at and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of the parent and its subsidiary which is incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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



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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion to the best of our information and according to the explanations given to us, the Parent and its subsidiary, which is incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note.

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



Jitendra Agarwal

Jitendra Agarwal
Partner
(Membership No. 87104)

Place: GURUGRAM
Date: 08 MAY 2018

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	231,081	213,261
Capital work in progress	3.2	16,987	18,922
Intangible assets	4	140	350
Financial assets			
Loans	5.1	215	178
Other bank balances	5.2	27	27
Other financial assets	5.5	814	281
Deferred tax assets (net)	6.1	9,394	11,645
Tax assets (net)	7	1,019	489
Other non-current assets	8	2,723	902
		262,400	246,055
Current assets			
Inventories	9	65,976	58,912
Financial assets			
Trade receivables	5.3	20,430	13,536
Cash and cash equivalents	5.4	67	726
Other bank balances	5.2	400	897
Loans	5.1	2	3
Other financial assets	5.5	142	257
Other current assets	8	1,569	3,101
		88,586	77,432
Total Assets		350,986	323,487
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	80,411	80,411
Other equity		11,684	(4,606)
		92,095	75,805
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	11.1	164,842	168,715
Other financial liabilities	11.4	1	22
Provisions	12	1,060	893
Deferred tax liabilities (net)	6.2	1,656	2,989
Other non-current liabilities	13	3,065	2,864
		170,624	175,483
Current liabilities			
Financial liabilities			
Borrowings	11.2	22,521	20,475
Trade payables	11.3	49,988	34,535
Other financial liabilities	11.4	9,896	10,647
Other current liabilities	13	4,083	5,371
Provisions	12	1,779	344
Current tax liabilities (net)	14	-	827
		88,267	72,199
Total Equity And Liabilities		350,986	323,487

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

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

Vinod S. Shenoy
Director
DIN 07632981

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: Gurugram
Date: 8 May 2018

Place: Mumbai
Date: 8 May 2018

CONSOLIDATED STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
Income			
Revenue from operations	15	399,431	424,886
Other income	16	7,577	8,746
Total Income		407,008	433,632
Expenses			
Cost of raw materials consumed	17	226,347	214,426
(Increase)/ decrease in inventories	18	5,465	(11,401)
Excise duty on sale of goods		121,423	153,149
Employee benefits expense	19	2,725	2,527
Finance costs	22	11,527	10,731
Depreciation and amortisation expense	21	11,429	11,387
Other expenses	20	6,197	10,287
Exploration costs written off		45	14
Total expenses		385,158	391,120
Profit before tax		21,850	42,512
Tax expense			
Current tax (Minimum alternate tax)		4,638	4,695
Deferred tax charge		918	6,911
Total tax expense	6	5,556	11,606
Profit for the year		16,294	30,906
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement losses on defined benefit obligations		(4)	(13)
Income tax impact		-	3
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent years		(4)	(10)
Total comprehensive income for the year		16,290	30,896
Earnings per equity share in INR computed on the basis of profit for the year	23		
Basic		2.03	3.84
Diluted		2.03	3.84

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

For and on behalf of the Board of Directors of
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Prabh Das
Managing Director &
Chief Executive Officer
DIN 00164799

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Harak Banthia
Chief Financial Officer

Place: Gurugram
Date: 8 May 2018

Place: Mumbai
Date: 8 May 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

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

(a) Equity share capital

	No. million	INR million
As at 31 March 2016	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2017	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2018	8,041	80,411

(b) Other equity

Particulars	Retained Earnings	Debenture Redemption Reserve	Total
As at 31 March 2016	(35,502)	-	(35,502)
Profit for the year	30,906	-	30,906
Other comprehensive income for the year -			
Remeasurement of defined benefit liability (net of tax)	(10)	-	(10)
As at 31 March 2017	(4,606)	-	(4,606)
Profit for the year	16,294	-	16,294
Other comprehensive income for the year -			
Remeasurement of defined benefit liability (net of tax)	(4)	-	(4)
Transfer from retained earnings (note 30)	(3,865)	3,865	-
As at 31 March 2018	7,819	3,865	11,684

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

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

Vinod S. Shenoy
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Managing Director &
Chief Executive Officer
DIN 00164799

Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Harak Banthia
Chief Financial Officer

Place: Gurugram
Date: 8 May 2018

Place: Mumbai
Date: 8 May 2018

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
A CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		21,850	42,512
Adjustments for:			
Unrealized foreign exchange loss/(gain) (net)		220	(2,093)
Unrealised loss/(gain) on currency derivative contracts (net)		(641)	(894)
Unrealized loss/(gain) on commodity derivative contracts (net)		251	135
Finance costs		10,167	9,760
Depreciation and amortisation expense		11,429	11,387
Exploration costs written off		45	14
Interest Income		(78)	(120)
Provision no longer required written back		(15)	-
Gain on sale of current investments (net)		(107)	(58)
Exchange difference to the extent considered as an adjustment to borrowing cost		1,147	790
Loss on discard of property plant and equipment		558	-
Liability towards vendors no longer required written back		(1,423)	-
Operating profit before working capital changes		43,403	61,433
Movements in working capital:			
(Increase)/decrease in inventories		(7,050)	(26,295)
(Increase)/decrease in trade receivables		(6,894)	(614)
(Increase)/decrease in loans		(36)	16
(Increase) in other financial assets		(471)	(461)
(Increase)/decrease in other assets		1,552	(1,772)
Increase/(decrease) in trade payables		15,294	13,528
Increase/(decrease) in financial liabilities		579	(211)
Increase/(decrease) in provisions		35	173
Increase/(decrease) in other liabilities		(1,393)	1,251
Cash generated from operations		45,019	47,048
Direct tax paid (net of refund)		(5,996)	(3,869)
Net cash generated from operating activities (A)	11.5 (b)	39,023	43,179
B CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment (including capital work in progress and capital advances)		(27,078)	(13,213)
Payments for exploration activities		-	(75)
Proceeds from short term mutual funds		423,970	226,993
Investment in short term mutual funds		(423,864)	(226,935)
Investment in fixed deposits		(450)	(547)
Proceeds from maturity of fixed deposits		947	543
Interest received		99	604
Net cash used in investing activities (B)		(26,376)	(12,630)

INDEPENDENT AUDITOR'S REPORT

BALANCE SHEET

STATEMENT OF PROFIT AND LOSS

STATEMENT OF CHANGES IN EQUITY

CASH FLOW STATEMENT

NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	31 March 2018	31 March 2017
C CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current borrowings	11.5 (a)	50,686	19,284
Repayment of non-current borrowings	11.5 (a)	(54,886)	(34,849)
Proceeds from current borrowings	11.5 (a)	256,552	222,275
Repayment of current borrowings	11.5 (a)	(254,557)	(227,045)
Borrowing costs paid			
- Interest		(9,651)	(8,631)
- Others		(1,450)	(979)
Net cash used in financing activities (C)	11.5 (b)	(13,306)	(29,945)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(659)	604
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		726	122
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		67	726

Notes:

- (i) The consolidated cash flow statement has been prepared under the indirect method as set out in Ind AS 7 Cash Flow Statements.
- (ii) Components of cash and cash equivalents included under cash and cash equivalents (note 5.4) are as under :

Balances with scheduled banks		
-On current accounts	67	204
-Deposits with original maturity of upto 3 months	-	522
Cash and cash equivalents (note 5.4)	67	726

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

In terms of our report attached

For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Jitendra Agarwal
Partner

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

Vinod S. Shenoy
Director
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Managing Director &
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Sidhartha Tyagi
Company Secretary
Membership No. A 14544

Harak Banthia
Chief Financial Officer

Place: Gurugram
Date: 8 May 2018

Place: Mumbai
Date: 8 May 2018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

1. Corporate Information

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

During the year, the capacity of the Company's petroleum refinery at Bathinda, Punjab has increased from 9 million Metric Tonne Per Annum (MMTPA) to 11.3 MMTPA. The Company has participating interest in one domestic exploration and production (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.

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 storage and 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 8 May 2018.

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.

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

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

(b) New and amended standards and interpretations

The Group applied for the first time following amendment to the Ind AS which are effective for annual periods beginning on or after 1 April 2017. The nature and the impact of the amendment is described below:

Amendments to Ind AS 7- Statement of Cash Flows: Disclosure Initiative

The amendment requires entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 11.5(a)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(c) Recent accounting pronouncements

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

Ind AS 115 'Revenue from Contracts with Customers' was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognised when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods or services. The adoption of Ind AS 115 is not expected to have material effect on Group's consolidated financial statements.

(ii) Amendments to Indian Accounting Standards (Ind AS) issued but not yet effective

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standards:

Amendments to Ind AS 12 - Recognition of deferred tax assets for unrealised losses

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

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

These amendments are effective for annual periods beginning on or after 1 April 2018. These amendments are not expected to have material effect on Group's consolidated financial statements.

Appendix B to Ind AS 21 - Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the Appendix requirements on fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the Appendix, or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix.

The Appendix is effective for annual periods beginning on or after 1 April 2018. The Group is currently evaluating the impact that the adoption of this clarification will have on Group's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

Amendments to Ind AS 40 - Transfers of Investment Property

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

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

The amendments are effective for annual periods beginning on or after 1 April 2018. The Group will apply amendments when they become effective. However, currently the Group does not have any investment property and thus, these amendments shall have no impact on the Group's consolidated financial statements.

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

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

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

The amendments clarify that:

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

The amendments should be applied retrospectively and are effective from 1 April 2018. These amendments are not applicable to the Group.

(d) Basis and principles of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2018. The Company has only one subsidiary in India, HPCL- Mittal Pipelines Limited in which it holds 100% (31 March, 2017: 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:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

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

Consolidation procedures:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(e) Historical cost convention

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

(f) Functional and presentation currency

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

(g) Significant accounting judgments, estimates and assumptions.

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

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

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

Critical judgments in applying accounting policies

The key judgments, made by the management, in applying the Group's accounting policies having an effect on these consolidated financial statements are around the (i) amount of provisions and contingencies that have been recognised in accordance with Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets' as the evaluation of the likelihood of the contingent events requires best judgment on the probability of exposure to potential loss; and (ii) amount of gain arising to the Group consequent to its decision to settle the deferred central sales tax liability on a net present value basis and convert resultant amount into an Interest free loan from Government of Punjab (GoP), as fully described in note 29.

Key source of estimation uncertainty

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

i) Useful lives of property, plant and equipment

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

ii) Recoverable amount of property, plant and equipment

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

iii) Post-retirement benefit plans

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

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iv) Fair value measurement of financial instruments

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

(v) Recognition of Deferred tax asset

HMPL is operating and maintaining infrastructure facility being port assets which are eligible for tax benefits under section 80IA of Income Tax Act, 1961. During the year, HMPL based on re-assessment of its business projections and other qualitative factors has recognised deferred tax considering benefit u/s 80IA of the Income Tax Act, 1961 may not be available during the tax holiday period ending on 31 March 2026 as the Company does not expect taxable profit during such period. HMPL would continue to evaluate this deferred tax position at each period end during the tax holiday period.

(h) Current and non-current classification

The Group presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is classified as current when it satisfies any of the following criteria:

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

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

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

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

Operating cycle

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

(i) Summary of significant accounting policies

1) Property, plant and equipment

Recognition and measurement

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

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

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

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

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

Subsequent costs and disposal

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

From accounting periods commencing on or after 1 April 2011, exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable assets are adjusted to the cost of the asset. In accordance with MCA circular dated 9 August 2012, exchange differences adjusted to the cost of PPE are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the Group does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference. Such exchange differences arising on translation/ settlement of long-term foreign currency monetary items and pertaining to the acquisition of a depreciable asset are amortised over the remaining useful lives of the assets. The Group has elected to continue with the said policy on exchange differences arising on long term foreign currency monetary items existing on 31 March 2016.

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

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

Depreciation and useful lives

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

Particulars	Useful Life (Years)
Building *	30
Building (culverts)	30
Building (roads)	5
Temporary buildings and water lines	3
Plant and equipment (refinery assets)	25
Plant and equipment (captive power plant)	40
Plant and equipment (crude oil pipeline)	30
Plant and equipment (pumps)	25
Plant and equipment (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.

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

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 amortisation and accumulated impairment losses, if any. The Group has decided to continue with the value of intangible assets recognised as at 1 April 2015 measured as per the previous GAAP as the deemed cost of intangible assets.

Amortisation

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

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

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

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

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

4) Financial instruments

Recognition and subsequent measurement

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

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

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A. Financial assets

(i) Cash and cash equivalents

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

(ii) Other bank balances

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

(iii) Financial assets at amortised cost

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

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

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

(v) Impairment of financial assets

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

(vi) Derecognition of financial assets

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

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

B. Equity instruments and financial liabilities

Equity instruments

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

Financial liabilities

(i) Financial liabilities subsequently measured at amortised cost

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

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

(ii) Derecognition of financial liabilities

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

C. Effective interest rate (EIR)

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

D. Derivative financial instruments

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

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

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

E. Offsetting of financial assets and financial liabilities

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

F. Fair value measurement

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

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

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

5) Borrowing costs

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

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

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6) Inventories

Inventories are valued as follows:

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

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

Scrap: Scrap is valued at net realizable value.

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

7) Government grants and subsidies

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

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

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

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

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

8) Provisions

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

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

9) Contingent liabilities

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

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10) Employee benefits

(a) Short-term employee benefits

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

(b) Post-employment benefits

The Group operates the following post-employment schemes:

Defined contribution plan - Provident fund

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

Defined benefit plan - Gratuity

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

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

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

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

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

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

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

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11) Revenue recognition

Sale of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customers and delivery has occurred as per the contractual terms. 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 company on its own account, revenue includes excise duty.

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

The Group recognises revenue when 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 has been met.

Interest income

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

12) Accounting for foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

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

13) 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.

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14) Income Taxes

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

Current tax

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

Deferred tax

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

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

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

15) 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.

16) Leases

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

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

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17) Earnings per share

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

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



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3.1 Property, plant and equipment

	Land freehold	Buildings on land	Buildings on leasehold land	Plant and equipment	Plant and equipment on leasehold land	Railway Sidings	Leasehold improvements	Office equipments and fixtures	Furniture and fixtures	Computer and Peripherals	Vehicles	Total
As 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	-	(106)	(8)	(2,462)	(132)	(4)	-	-	-	-	-	(2,712)
-Exchange difference (a)	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 March 2017	7,801	8,072	675	205,326	12,449	237	15	172	147	274	236	235,404
Additions	310	902	-	28,132	-	130	2	24	20	40	61	29,621
Disposals	-	-	-	(1,334)	-	-	-	-	(1)	-	-	(1,335)
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
-Exchange difference (a)	-	(7)	1	(106)	18	-	-	-	-	-	-	(94)
As at 31 March 2018	8,111	8,967	676	232,018	12,467	367	17	196	166	314	297	263,596

Depreciation

As 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)
As at 31 March 2017	-	1,294	218	18,679	1,570	36	8	75	45	136	82	22,143
Charge for the year	-	554	32	9,607	782	20	2	31	24	51	47	11,150
Disposals	-	-	-	(777)	-	-	-	-	-	(1)	-	(778)
As at 31 March 2018	-	1,848	250	27,509	2,352	56	10	106	69	186	129	32,515

Net Block

As at 31 March 2017	7,801	6,778	457	186,647	10,879	201	7	97	102	138	154	213,261
As at 31 March 2018	8,111	7,119	426	204,509	10,115	311	7	90	97	128	168	231,081

Notes :

(a) The Group has deducted exchange gains arising on long-term foreign currency loan, amounting to INR 94 million (31 March 2017 : gain of INR 2,712 million) from the cost of property, plant and equipment.

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

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3.2 Capital work in progress

	31 March 2018	31 March 2017
Opening balance	18,922	5,126
Add: Additions during the year	26,901	14,826
Add: Expenditure during the year		
- Employee benefits expense (note 19)	360	119
- Finance costs (note 22)	391	190
- Other expenses (note 20)	28	9
- Foreign exchange differences (net)	6	(45)
Less: Assets capitalised during the year	(29,621)	(1,303)
	16,987	18,922

4. Intangible assets

	Computer Software	Total
Gross block		
As at 31 March 2016	937	937
Additions	84	84
As at 31 March 2017	1,021	1,021
Additions	69	69
As at 31 March 2018	1,090	1,090
Amortisation		
At 31 March 2016	334	334
Charge for the year	337	337
As at 31 March 2017	671	671
Charge for the year	279	279
As at 31 March 2018	950	950
Net block		
As at 31 March 2017	350	350
As at 31 March 2018	140	140

5. Financial assets

5.1. Loans (at amortised cost)

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Security deposit	215	178	2	3
	215	178	2	3

5.2. Other bank balances

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Deposits with original maturity for more than 3 months but upto 12 months*	-	-	400	897
Deposits with original maturity of more than 12 months *	27	27	-	-
	27	27	400	897

* pledged with banks

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5.3. Trade receivables (at amortised cost)

	Current	
	31 March 2018	31 March 2017
Unsecured and considered good		
Trade receivables	20,430	13,536
	20,430	13,536

Notes :

The credit period on the trade receivables ranges from a period of 0 to 30 days. All the outstanding trade receivables are settled within the contractual credit period. Of the trade receivables outstanding as at 31 March 2018 and 31 March 2017, major dues relate to receivables from a single customer which is a related party.

5.4. Cash and cash equivalents

	Current	
	31 March 2018	31 March 2017
Balances with banks:		
- On current accounts	67	204
- Deposits with original maturity of upto 3 months	-	522
	67	726

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

5.5. Other financial assets

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Derivative instruments at fair value through profit or loss				
Commodity forward contracts	-	-	1	-
Interest rate swaps	806	276	87	-
	806	276	88	-
Other financial assets (at amortised cost)				
Interest accrued but not due	8	5	19	39
Others	-	-	30	-
Balance recoverable on settled commodity derivative contracts	-	-	5	218
	8	5	54	257
	814	281	142	257

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6. Deferred tax

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

6.1 Deferred tax assets (net)

	31 March 2018	31 March 2017
Balance at the beginning of the year	11,645	18,637
Balance at the end of the year	9,394	11,645
Deferred tax charge recognised:	2,251	6,992
in the consolidated statement of profit and loss	2,251	6,992
in the consolidated statement of other comprehensive income	-	3

6.2 Deferred tax liabilities (net)

	31 March 2018	31 March 2017
Balance at the beginning of the year	2,989	3,070
Balance at the end of the year	1,656	2,989
Deferred tax credit recognised in the consolidated statement of profit and loss	(1,333)	(81)
Net Deferred tax charge recognised in the consolidated statement of profit and loss	918	6,911
in the consolidated statement of profit and loss	918	6,911
in the consolidated statement of other comprehensive income	-	3
Net loss/(gain) on remeasurement of defined benefit plans	-	3

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

	31 March 2018	31 March 2017
Accounting profit before income tax	21,850	42,512
At India's statutory income tax rate of 34.944% (31 March 2017: 34.608%)	7,635	14,713
Tax effect of :		
-Gain on settlement of central sales tax exempted from tax	(1,618)	(1,953)
-Foreign exchange fluctuation differences on non-current borrowings :		
(i) Acquired prior to 31 March 2016 and adjusted to cost of property, plant and equipment	-	(938)
(ii) Acquired post 1 April 2016 and taken to statement of profit and loss	-	(229)
(iii) Allowable tax expense due to introduction of section 43AA of Income Tax Act 1961	961	-
-Derivative instruments	(283)	-
-Corporate social responsibility expenses	81	-
-Previously unrecognised MAT recognised during the year	-	(205)
-Temporary differences reversing in tax holiday period	-	195
-Impact due to revision in estimate for claiming section 80IA of Income Tax Act, 1961	(1,502)	-
-Charge in respect of adjustment of the prior period unabsorbed depreciation and carried forward losses	190	10
-Impact due to change in tax rate	97	-
-Others	21	47
At India's statutory income tax rate of 25.54% (31 March 2017: 27.38%)	5,582	11,640
At India's statutory tax rate for capital gains of 23.296% (31 March 2017: 23.072%)		
Difference between book value and indexed cost of land	(26)	(34)
	(26)	(34)
At the effective income tax rate of 25.42% (31 March 2017: 27.30%)	5,556	11,606

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

6.4 Composition of deferred tax balances

	31 March 2018	31 March 2017
Deferred tax liabilities		
Difference in the book base and tax base of property, plant and equipment	39,462	34,273
Foreign exchange differences	961	-
Gross deferred tax liabilities	40,423	34,273
Deferred tax assets		
Derivative contracts	99	223
Inventory of spares	192	168
Exploration costs charged off	204	186
Unabsorbed depreciation	30,228	27,742
Carried forward tax losses	7,721	9,627
Unrealised profits on intragroup transactions	66	21
Employee benefits obligation	52	-
Minimum alternate tax (MAT)	9,599	4,961
Gross deferred tax assets	48,161	42,928
Net deferred tax assets	7,738	8,655
Aggregate amount of deferred tax liability (net) in component of the Group	1,656	2,989
Aggregate amount of deferred tax asset (net) in component of the Group	9,394	11,645

Note :

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

7. Tax assets (net)

	Non-current	
	31 March 2018	31 March 2017
Advance income-tax (net of provision)	1,019	489
	1,019	489

Net of provision for income tax of INR 9,998 million (31 March 2017 : INR 611 million)

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8. Other assets

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Capital advances	2,032	378	-	-
Advances other than capital advances	177	166	106	71
	2,209	544	106	71
Others				
Balances with statutory/government authorities	90	87	850	2,377
Prepaid expenses	424	271	612	643
Export incentive receivable	-	-	1	10
	514	358	1,463	3,030
	2,723	902	1,569	3,101

9. Inventories

	31 March 2018	31 March 2017
Raw materials	43,275	31,347
Work-in-progress	10,786	10,875
Finished goods	6,159	11,535
Stores and spares	5,756	5,155
	65,976	58,912

Notes:

- Raw materials includes stock in transit of INR 13,602 million (31 March 2017 : INR 6,452 million)
- The cost of inventories recognised as an expense includes INR 50 million (31 March 2017 : INR 713 million) in respect of write down of inventories to net realisable values.
- The inventories of the Group have been pledged as securities against borrowings.
- The cost of inventories recognised as an expense during the year in respect of the Group's operations is INR 248,586 million (31 March 2017 : INR 219,883 million)

10. Equity share capital

	31 March 2018		31 March 2017	
(a) Authorised shares (numbers in million)				
10,000 (31 March 2017 : 10,000) equity shares of INR 10 each		100,000		100,000
(b) Issued, subscribed and fully paid up shares (numbers in million)				
8,041 (31 March 2017 : 8,041) equity shares of INR 10 each		80,411		80,411
Total issued, subscribed and fully paid-up share capital		80,411		80,411
(c) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year				
	For the year ended 31 March 2018		For the year ended 31 March 2017	
	No. million	INR million	No. million	INR million
At the beginning of the year	8,041	80,411	8,041	80,411
Issued during the year	-	-	-	-
Outstanding at the end of the year	8,041	80,411	8,041	80,411

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(d) Terms/ rights attached to equity shares

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

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

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

	For the year ended 31 March 2018		For the year ended 31 March 2017	
	No. million	% holding in the class	No. million	% holding in the class
Equity shares of INR 10 each fully paid				
Mittal Energy Investments Pte Limited	3,940	48.99%	3,940	48.99%
Hindustan Petroleum Corporation Limited	3,940	48.99%	3,940	48.99%

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

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

11. Financial Liabilities

11.1 Borrowings (at amortised cost)

	Non-current		Current maturities	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Debentures (Secured)				
2,000 (Previous year: 2,000) 4% Non Convertible Debentures of INR 1 million each fully paid up (Series I) (refer 'j')	2,946	2,735	-	-
3,400 (Previous year: 3400) 4% Non Convertible Debentures (STRRP A,B,C) of INR 3 million each fully paid up (refer 'a')	15,231	14,093	-	-
743 (Previous year: 2,062) 4% Non Convertible Debentures of INR 3 million each fully paid up (Series II) (refer 'j')	342	8,518	2,971	-
Debentures (Unsecured)				
5.250% Senior unsecured notes (refer 'b')	24,010	-	-	-
Term loans (Secured)				
Indian rupee loan from banks (refer 'c')	10,000	-	-	-
Foreign currency loan from banks (refer 'd', 'e', 'f' 'k')	89,981	126,346	919	4,337
Term loans (Unsecured)				
Foreign currency loan from banks (refer 'g')	14,357	14,393	-	-
Indian rupee loan from banks (refer 'h')	4,500	-	-	-
Indian rupee loan from Government of Punjab (refer 'i')	3,475	2,630	10	-
	164,842	168,715	3,900	4,337
The above amount includes				
Secured borrowings	118,500	151,692	3,890	4,337
Unsecured borrowings	46,342	17,023	10	-
Less: Amount disclosed under the head "other current liabilities" (note 11.4)	-	-	(3,900)	(4,337)
Net amount	164,842	168,715	-	-

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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 first pari-passu charge on fixed assets to the extent of 1.25 times of the issue size. The series consists of three detachable and Separately Transferable Principal Parts (STRPP) A, B and C. STRPP A, B and C debentures are redeemable at a premium of INR 0.82 million, INR 0.97 million and INR 1.15 million per debenture respectively on 3 September 2020, 3 September 2021 and 3 September 2022 respectively, being the 8th, 9th and 10th year respectively from the date of allotment. The effective interest rate (EIR) of such NCDs is 10.90%.
- (b) US Dollar redeemable 5.25% notes were issued at par on 28 April 2017 and are repayable on 28 April 2027. These are unsecured notes. The effective interest rate (EIR) of these notes is 5.25%.
- (c) Indian rupee loan of INR 10,000 million (31 March 2017 : Nil) outstanding is secured by a hypothecation through a residual charge over movable fixed assets of the Company. The loan is repayable in a bullet installment after 18 months from the date of first disbursement. The loan carries an interest rate of 1 year MCLR (Presently 8.50% p.a)
- (d) Foreign currency loan from banks equivalent to INR 2,846 million (31 March 2017 : INR 34,826 million) inclusive of unamortised ancillary borrowing cost of INR 31 million (31 March 2017 : 38 million) are secured by a mortgage through first charge, ranking pari-passu amongst the lenders, over all immovable and movable properties and assets of the Company, both present and future. Further, these lenders hold second pari-passu charge on the current assets, 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. These loans are repayable in 3 variable annual installments starting from February 2022 and carries interest rate of 3 month LIBOR plus a spread of 225 bps.
- (e) Foreign currency loan from banks equivalent to INR 7,158 million (31 March 2017 : Nil), inclusive of unamortised ancillary borrowing cost of INR 82 million (31 March 2017 : Nil) are 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, except any assets in relation to the petrochemical project. Further, these lenders hold a second pari-passu charge on the current assets for both present and future, except any assets in relation to the petrochemical project, hold first pari-passu charge/ assignment on the Debt Service Reserve Account and all other accounts formed under the Trust and Retention Account Agreement. These loans are repayable as below:

INR 4,922 million in 3 variable annual installments starting from April 2022 and carry interest rate of 3 month LIBOR plus a spread of 204 bps. INR 2,236 million in 3 variable annual installments starting from June 2022 and carries interest rate of 3 month LIBOR plus a spread of 204 bps.
- (f) Foreign currency loan from banks equivalent to INR 64,193 million (31 March 2017: INR 79,515 million) inclusive of unamortised ancillary borrowing cost of INR 97 million (31 March 2017 : 420 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 are repayable as under:
 - (i) INR 45,045 million is repayable in 40 variable quarterly installments starting from 30 June 2018 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.
 - (ii) INR 19,148 million is repayable in 16 variable quarterly installments starting from March 2023 and carries interest rate of 6 month LIBOR plus a spread ranging from 240 bps to 300 bps.
- (g) (i) Unsecured foreign currency loan equivalent to INR 4,739 million is repayable in a bullet installment after 82 months from the final drawdown (expected repayment in January 2024). The loan carries an interest rate of 6 month LIBOR plus a spread of 240 bps.
- (ii) Unsecured foreign currency loan equivalent to INR 9,618 million is repayable in two equal annual instalments on 2 February 2023 and 2 February 2024. The loan carries an interest rate of 3 month LIBOR plus a spread of 193 bps. The above loans (i) and (ii) are backed by a letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited.

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- (h) Unsecured rupee loan equivalent to INR 3,000 million is repayable after 18 months from the date of first disbursement and rupee loan of INR 1,500 million is repayable in installments from 13th month to 18th month from the date of drawdown. These loans carry an interest rate of MCLR of respective banks ranging from 8.00% to 8.70% p.a.
- (i) Loan from Punjab Government is interest free and is repayable in 10 equal half yearly installments commencing after 66 months from the date of disbursal. 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) :

- j) 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 assets 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 ('EIR') of 10.75%. Series II debentures consists of 3 detachable and separately transferrable principal parts (STRPP) A,B and C. STRPP A, B, C are redeemable at a premium of INR 0.79 million, INR 0.95 million, INR 1.12 million per STRPP/debenture respectively on 21 August 2020, 21 August 2021, 21 August 2022 being the 8th, 9th and 10th year respectively from the date of allotment. During the current year, the Company has redeemed debentures aggregating to INR 3,950 million (31 March 2017 : 325 million) before the due date of maturities. The EIR on these is 10.75% .
- k) Foreign currency loan from banks equivalent to INR 17,074 million (31 March 2017 :INR 17,020 million) inclusive of unamortised ancillary borrowing cost of INR 161 million (31 March 2017 : 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 instalment of INR 5,691 million and INR 11,383 million on 31 March 2021 and 22 April 2021 respectively.

11.2 Borrowings

	31 March 2018	31 March 2017
Short Term loans		
Foreign currency loan from banks (secured) (refer 'a')	15,571	17,258
Indian rupee loan from banks (unsecured) (refer 'b')	4,955	-
Indian rupee loan from banks (secured) (refer 'c')	28	3,217
Indian rupee bill discounting (refer 'd')	1,150	-
Indian rupee loan from banks (refer 'e')	817	-
	22,521	20,475

Notes :

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

- (a) Secured foreign currency loans from banks are 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 1.85% p.a. to 2.52% p.a. These loans are repayable in a period of 44 to 329 days from the date of drawdown.
- (b) INR 4,955 million represents Commercial Paper of face value INR 5,000 million issued to investors on unsecured basis. The loan carries an interest rate which is determined and fixed on the date of availing of the loan which is presently at 7.25% p.a. This loan is repayable in May 2018.
- (c) INR 28 million Indian rupee loan represents overdraft on fixed deposit which is 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 movable and immovable fixed assets of the Company, both present and future. The loan carries an interest rate of 6.75% p.a.

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- (d) INR 1,150 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 7.95% p.a. and are repayable within one month from the date of disbursement.

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

- (e) Secured Indian rupee loan to be repaid in 6 months from each date of draw down and carries an interest rate of 8% p.a. The said loan is secured on residual charge basis over movable fixed assets of the Company.

11.3 Trade payables

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
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*	-	-	38,861	34,535
Acceptances**	-	-	11,127	-
	-	-	49,988	34,535

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

**Represents the amount payable to the supplier of raw material, wherein the supplier has extended the credit period from 30 days to 120 days against irrevocable letter of credit (financing facility) for which the Company bears the financing charge of 3 month LIBOR plus spread 30 to 39 basis points. As per the arrangement, the Company will settle its obligations with the supplier's bank.

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

11.4 Other financial liabilities

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Financial liabilities at fair value through profit or loss				
Commodity forward contracts	-	-	252	135
Foreign exchange forward contracts	-	-	-	4
Interest rate swaps	1	22	-	-
	1	22	252	139
Other financial liabilities at amortised cost				
Current maturities of non-current borrowings (note 11.1)	-	-	3,901	4,337
Security deposits received	-	-	183	177
Commodity hedging payable	-	-	49	-
Liability towards project vendors	-	-	3,891	4,846
Liability towards exploration activities *	-	-	225	180
Interest accrued but not due on borrowings	-	-	1,395	968
	-	-	9,644	10,508
	1	22	9,896	10,647

*Includes INR 208 million (31 March 2017 : INR 163 million) representing the Group's obligation towards the unfinished minimum work programme for its domestic E&P block at Rajasthan viz. RJ-ONN-2005/2.

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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11.5 Reconciliation of liabilities arising from financing activities

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

	Non-current	Current
As at 1 April 2017	173,052	20,475
Net additions/(repayment)	(4,200)	1,995
Other movements*	(110)	51
As at 31 March 2018	168,742	22,521

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

- (b) During the year 'Gain on settlement of deferred sales tax loan' of INR 4,635 million has been reclassified from 'cash flow from financing activities' to 'cash flow from operating activities' in the consolidated cash flow statement. Previously, this was included and presented as part of cash flow from financing activities.

12. Provisions

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Provision for employee benefits				
Provision for gratuity (note 28)	-	-	72	66
Provision for compensated absences	66	-	11	49
	66	-	83	115
Other provisions				
Provision towards project vendors (refer 'a')	-	-	1,696	229
Provision towards potential claims (refer 'b')	994	893	-	-
	994	893	1,696	229
	1,060	893	1,779	344

Notes :

- (a) Provision towards project vendors represents amounts likely to be paid upon final settlement. The opening provision as on 1 April 2017 of INR 229 million has been reduced by INR 180 million on account of settlement with the vendors. Further, additional provision amounting to INR 1647 million has been created during the year.
- (b) The Group has made provision for potential claims that may arise upon final settlement of some of the Group's dues. The opening provision of INR 893 million as on 1 April 2017 has increased due to additional provision made during the year of INR 3 million and unwinding of discount of INR 98 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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13. Other liabilities

	Non-current		Current	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Advance from customers	-	-	374	309
Statutory dues payable	-	-	3,216	4,674
Government incentives*	3,065	2,864	493	388
Total other liabilities	3,065	2,864	4,083	5,371

* Movement in government incentives

	31 March 2018	31 March 2017
At the beginning of the year	3,252	2,686
Received during the year	694	847
Released to the consolidated statement of profit and loss (note 22)	(388)	(281)
At the end of the year	3,558	3,252

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

14. Current tax liabilities

	Current	
	31 March 2018	31 March 2017
Liabilities for income tax (net of taxes paid)	-	827
	-	827

Net of income tax paid of INR Nil (31 March 2017 : INR 3,922 million)

15. Revenue from operations

	31 March 2018	31 March 2017
Sale of products (including excise duty)		
Finished goods	399,431	424,886
	399,431	424,886

Sale of goods includes excise duty collected from customers of INR 121,423 million (31 March 2017: INR 153,149 million).

Productwise sales

	31 March 2018	31 March 2017
Solid products	36,655	43,918
Liquid products	362,776	380,968
	399,431	424,886

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16. Other income

	31 March 2018	31 March 2017
(a) Interest income on financial assets carried at amortised cost		
Bank deposits	65	77
Deposits and others	13	43
(b) Other non-operating income		
Provision no longer required written back	15	-
Insurance claims received	90	33
Liability towards vendors no longer required written back	1,423	8
Miscellaneous income	308	153
(c) Other gains and losses		
Gain on sale of current investments (net)	107	58
Gain on settlement of deferred sales tax loan (note 29)	4,635	5,797
Foreign exchange difference (net)	418	2,577
Fair value gain on derivative contracts (net)	503	-
	7,577	8,746

17. Cost of raw materials consumed

	31 March 2018	31 March 2017
Inventory at the beginning of the year	31,347	15,942
Add: Purchases	238,275	229,831
Less: Inventory at the end of the year	(43,275)	(31,347)
	226,347	214,426

Note : Includes material consumed of INR 10,451 million (31 March 2017 : INR 11,540 million) as fuel for in house power and steam generation.

18. (Increase)/decrease in inventories

	31 March 2018	31 March 2017
Inventories at the beginning of the year		
-Work-in-progress	10,875	5,500
-Finished goods	11,535	5,509
Inventories at the end of the year		
-Work-in-progress	(10,786)	(10,875)
-Finished goods	(6,159)	(11,535)
Net (Increase)/decrease in inventories	5,465	(11,401)

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19. Employee benefits expense

	31 March 2018	31 March 2017
Salaries, wages and bonus	2,556	2,138
Contribution to provident fund (note 28.1)	146	124
Gratuity expense (note 28.2)	57	52
Compensated absences	82	43
Staff welfare expenses	244	289
	3,085	2,646
Less: Transferred to capital work in progress (note 3.2)	(360)	(119)
	2,725	2,527

20. Other expenses

	31 March 2018	31 March 2017
Consumption of chemicals, stores and spares	2,221	2,312
Power and fuel	999	822
Repairs and maintenance		
-Buildings	14	11
-Plant and machinery	873	858
-Others	313	289
Facility maintenance	365	349
Professional and consultancy fees	151	248
Rent	252	257
Commission on sales	134	161
Rates and taxes	16	19
Insurance	722	806
Travelling and conveyance	257	244
Sales promotion expenses	10	6
Freight Outward	220	293
Excise duty /Goods and Service Tax (GST) reversal on exempted finished goods	732	100
Increase/(decrease) of excise duty on inventories	(2,672)	1,330
Fair value loss on derivative contracts (net)	-	1,086
Loss on discard of property plant and equipment	558	48
Corporate social responsibility expenditure (refer note 'a' below)	230	30
Miscellaneous expenses	830	1,027
	6,225	10,296
Less: Transferred to capital work in progress (note 3.2)	(28)	(9)
	6,197	10,287

a) Details of CSR expenditure

	31 March 2018	31 March 2017
Gross amount required to be spent by the Group during the year	228	-
Amount spent during the year		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	230	30
	230	30

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21. Depreciation and amortisation expense

	31 March 2018	31 March 2017
Depreciation property, plant and equipment (note 3.1)	11,150	11,050
Amortisation of intangible assets (note 4)	279	337
	11,429	11,387

22. Finance costs

	31 March 2018	31 March 2017
Interest cost	10,748	9,902
Exchange difference to the extent considered as an adjustment to borrowing cost	1,147	790
Bank charges	213	183
Interest rate swap - settlement	100	237
Unwinding of discount on long term provisions	98	90
	12,306	11,202
Less: Interest cost capitalised (note 3.2)	(391)	(190)
Less: Government incentives (note 13)	(388)	(281)
	11,527	10,731

23. Earnings per share (EPS)

	31 March 2018	31 March 2017
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	16,294	30,906
(used for both calculation of basic and diluted EPS)		
Weighted average number of equity shares in calculating basic and diluted EPS (in million)	8,041	8,041
Basic - Par value of INR 10 per share (in INR)	2.03	3.84
Diluted - Par value of INR 10 per share (in INR)	2.03	3.84

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24. Related party disclosures

24.1 Related parties : Nature of relationship

Nature of relationship	Name of related parties
Joint Venture companies having significant influence	Hindustan Petroleum Corporation Limited (HPCL)
	Mittal Energy Investments Pte Limited (MEI)

24.2 Transactions with related parties

Particulars	Joint Venture companies having significant influence					
	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited		Key management personnel	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Transactions during the year						
Allocation of expenses	143	156	-	-	-	-
Reimbursement of expenses paid/ payable	6	5	-	-	-	-
Purchase of goods	913	1,331	-	-	-	-
Purchase of services	-	-	-	-	-	-
Sale of goods (inclusive of taxes)	376,232	387,209	-	-	-	-
Sales of spares	2	-	-	-	-	-
Remuneration paid to key managerial personnel:						
(i) short-term employment benefits	-	-	-	-	104	92
(ii) post-employment benefits	-	-	-	-	13	8
(iii) other long term benefits	-	-	-	-	2	1
(iv) termination benefits	-	-	-	-	1	-
(v) sitting fees	-	-	-	-	4	2

24.3 Balance outstanding

Particulars	Hindustan Petroleum Corporation Limited		Mittal Energy Investments Pte Limited	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Balance outstanding				
Trade receivable	19,961	13,202	-	-
Other financial assets - others	14	11	-	-
Trade payable	99	83	-	-

Notes:

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash.
- HPCL and MEI have issued letters of comfort for loans taken by the Group as described in note 11.1
- For the year ended 31 March 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period.
- Government of India (GOI), is also a related party by virtue of its control over HPCL, who has a significant influence over the Group. The Group 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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25. Financial Instruments

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

Particulars	31 March 2018			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Loans	-	217	217	217
Trade receivables	-	20,430	20,430	20,430
Cash and cash equivalents	-	67	67	67
Other bank balances	-	427	427	427
Other financial assets (current)	88	54	142	142
Other financial assets (non-current)	806	8	814	814
Total Financial assets	894	21,203	22,097	22,097
Financial liabilities				
Borrowings (current)	-	22,521	22,521	22,521
Borrowings (non-current)*	-	168,742	168,742	169,236
Trade payables	-	49,988	49,988	49,988
Other financial liabilities (current)	252	5,743	5,995	5,995
Other financial liabilities (non-current)	1	-	1	1
Total Financial liabilities	253	246,994	247,247	247,741

Particulars	31 March 2017			
	Fair value through profit or loss	Amortised cost	Total carrying value	Fair value
Financial assets				
Loans	-	181	181	181
Trade receivables	-	13,536	13,536	13,536
Cash and cash equivalents	-	726	726	726
Other bank balances	-	924	924	924
Other financial assets (current)	-	257	257	257
Other financial assets (non-current)	276	5	281	281
Total Financial assets	276	15,629	15,905	15,905
Financial liabilities				
Borrowings (current)	-	20,475	20,475	20,475
Borrowings (non-current)*	-	173,052	173,052	185,199
Trade payables	-	34,535	34,535	34,535
Other financial liabilities (current)	139	6,170	6,309	6,309
Other financial liabilities (non-current)	22	-	22	22
Total Financial liabilities	161	234,232	234,393	246,540

* includes current maturities of non-current borrowings

- The carrying amounts of all the financial instruments mentioned in the table above except borrowings and certain derivatives included in other financial assets and other financial liabilities are considered to be the same as their fair values.
- The fair value of the derivative financial instruments have been derived using the valuation techniques since these are not traded in the active market. These instruments are classified as level 2 fair values in the fair value hierarchy.
- The fair values of non-current borrowings are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

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

	31 March 2018			31 March 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets - current						
Other financial assets (derivative assets)	-	88	-	-	-	-
Financial assets - non current						
Other financial assets (derivative assets)	-	806	-	-	276	-
Financial liabilities - current						
Other financial liabilities (derivative liability)	-	252	-	-	139	-
Financial liabilities - non current						
Other financial liabilities (derivative liability)	-	1	-	-	22	-

26. Financial risk management

Risk management framework

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

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

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

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

(a) Credit risk

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

As at 31 March 2018, the Group is not exposed to the credit risk for the receivables as more than 90% (31 March 2017: more than 90%) of the trade receivables is from a related party. In respect to the bank deposits the Group limits its exposure by dealing with creditworthy and reputable banks.

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

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

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(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 financial liabilities are presented below:-

31 March 2018	Contractual cash flows				
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	12,912	74,929	112,125	32,667	232,633
Borrowings (current)	22,521	-	-	-	22,521
Trade payable	49,988	-	-	-	49,988
Other financial liabilities	5,743	-	-	-	5,743
Payments for operating leases	73	154	197	118	542
Derivative financial liabilities	252	1	-	-	253
31 March 2017					
	Less than 1 year	2-4 years	5-9 years	Above 9 years	Total
Non-derivative financial liabilities					
Borrowings (non-current)*	11,527	68,788	127,676	19,909	227,900
Borrowings (current)	20,475	-	-	-	20,475
Trade payable	34,535	-	-	-	34,535
Other financial liabilities	6,171	-	-	-	6,171
Payments for operating leases	56	150	197	157	560
Derivative financial liabilities	139	22	-	-	161

* includes current maturities of non-current borrowings

(c) Market risk

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

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

(c.1) Foreign currency exchange risk

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

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

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A reasonably possible strengthening /weakening of the Indian Rupee against such foreign currency as at 31 March 2018 and 31 March 2017 would have affected profit or loss by the amounts shown below. This would not impact the profit and loss entirely as certain portion of foreign exchange loss/(gain) is being added/(deducted) to/from the value of property, plant and equipment. This analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases.

Effect in INR	31 March 2018		31 March 2017	
	Strengthening	Weakening	Strengthening	Weakening
1% movement				
USD	1,941	(1,941)	1,943	(1,943)
JPY	-	-	5	(5)
EURO	2	(2)	4	(4)
	1,943	(1,943)	1,952	(1,952)

(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 2018 would decrease/increase by INR 562 million (31 March 2017 : INR 958 million). This assumes that the amount and mix of fixed and floating rate debt (net of interest rate swap) remains unchanged during the year from that in place as at year end and that the change in interest rates is effective from the beginning of the year.

(c.3) Commodity price risk

The Group is exposed to market risks related to price volatility of crude oil and sale price of its refined products. The Group uses commodity derivative instruments to manage these exposures on a portion of its activity, including firm commitments and anticipated transactions for the purchase of crude oil and sale of products. Commodity derivatives are used primarily as risk management tool to safeguard the price basis risk on purchase of crude oil on different benchmark basis, price timing mismatches on crude oil and product pricing mismatches and safeguard product margins on sale of refined products. HMEL employs specific financial instruments namely swaps and basis swaps for hedging its pricing risk related to commodities. On 31 March 2018 some of these hedging positions on timing mismatches, benchmark mismatches and product margins(time swaps, basis swaps and product swaps) remained open to be settled at a later date. Previous year timing mismatch hedge positions remained open as at 31 March 2018. The impact of increase or decrease by \$1/bbl on open hedges as on 31 March 2018 assuming all other variables remain constant is as under:

Increase or decrease by \$1/bbl in crude price is INR Nil (31 March 2017 : INR 191 million)

Increase or decrease by \$1/bbl in dated brent dubai differential is INR 124 million (31 March 2017 : Nil)

Increase or decrease by \$1/bbl in FO Dubai differential is INR 124 million (31 March 2017 : Nil)

Increase or decrease by \$1/bbl in Singapore gasoil 10 PPM cracks is INR 98 million (31 March 2017 : Nil)

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

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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 2018 and 31 March 2017.

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

	31 March 2018	31 March 2017
Equity including retained earnings	92,095	75,805
Borrowings considered as equity *	14,357	14,393
Total equity (a)	106,452	90,198
Non-current borrowings (b)	154,386	158,659
Total capital (c) = (a) + (b)	260,838	248,857
Long term borrowings (b) / Total capital (c)	59%	64%

*Borrowing backed by letter of comfort from Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte Limited, aggregating to INR 14,537 million (31 March 2017 : INR 14,393 million) has been treated as equity and excluded from long term borrowings above.

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

28. Employee benefits

28.1 Defined contribution plan

The Group makes contribution towards provident fund for employees. The Company's contribution to the Employees Provident Fund is deposited to the government under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. During the year, the Group has recognised INR 149 million (31 March 2017 : INR 124 million) in the consolidated statement of Profit and Loss.

28.2 Gratuity

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

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

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

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

Particulars	31 March 2018	31 March 2017
Current service cost	52	47
Net interest expenses	5	5
Amount to be recognised in the consolidated statement of profit and loss	57	52

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(b) Remeasurement recognized directly in other comprehensive income

Particulars	31 March 2018	31 March 2017
Expected return on plan assets (excluding amounts included in net interest expense)	(1)	(4)
Net actuarial (gain)/loss recognized in the year		
- From changes in demographic assumptions	-	-
- From changes in financial assumptions	(19)	15
- Experience adjustments	24	2
Amount to be recognized in the consolidated statement of other comprehensive income	4	13

(ii) Benefit assets/(liability)

Particulars	31 March 2018	31 March 2017
Present value of defined benefit obligation	335	266
Fair value of plan assets	263	200
Plan liability	(72)	(66)

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 2018	31 March 2017
Opening defined benefit obligation	266	194
Current service cost	53	47
Interest cost	19	15
Benefits paid	(9)	(7)
Actuarial (gain)/loss on obligation	6	17
Closing defined benefit obligation	335	266

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

Particulars	31 March 2018	31 March 2017
Opening fair value of plan assets	200	144
Expected return	16	11
Contributions by employer	55	48
Fund charges	*	*
Benefits paid	(9)	(7)
Actuarial gain/(loss)	1	4
Closing fair value of plan assets	263	200

* Amounts are less than INR 0.5 million.

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

Particulars	31 March 2018	31 March 2017
Discount rate	7.80%	7.35%
Future salary increase	6.50%	6.50%
Attrition rate		
- Up to 30 years	3.00%	3.00%
- From 31 to 44 years	2.00%	2.00%
- Above 44 years	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.

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

(iv) A quantitative sensitivity analysis of the changes in the defined benefit obligation due to changes in significant assumption as at 31 March 2018 is as shown below:

Assumptions	Sensitivity Level	31 March 2018	31 March 2017
Discount rate	0.5 % increase	(19)	(16)
	0.5 % decrease	22	17
Future salary increases	0.5 % increase	12	12
	0.5 % decrease	(12)	(12)

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

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

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

Particulars	31 March 2018	31 March 2017
Investment with insurer	100%	100%

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

(vi) Risk exposure

The Group is exposed to the following risk:

- Interest rate risk: The defined benefit obligation is calculated using the discount rate based on government bonds. If bond yields fall the defined benefit obligation will tend to increase.
- Salary inflation risk: The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of the participant in future. Deviation in the rate of increase of salary is future for plan participants from the rate of increase in salary used to determine the present value of obligation will have bearing on the plan's liability.
- Mortality rate: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(vii) The Group expects to contribute INR 69 million (31 March 2017 : INR 59 million) towards the plan assets in the next one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

(viii) Maturity profile of defined benefit obligation

Year	31 March 2018	31 March 2017
0 to 1 year	40	29
1 to 2 year	26	3
2 to 3 year	8	6
3 to 4 year	8	10
4 to 5 year	7	9
5 to 6 year	5	11
6 year onwards	241	198
	335	266

- (ix) The average duration of the defined benefit plan obligation at the end of the reporting period is 20.18 years (31 March 2017 : 20.37 years) of the Company and 20.63 years (31 March 2017 : 21.02 years) of HMPL.

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 35,531 million (31 March 2017 : INR 29,639 million) as at 31 March 2018, for a Net Present Value (NPV) of INR 6,255 million (31 March 2017 : INR 4,998 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 4,635 million (31 March 2017 : INR 5,797 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 2018 an amount of INR 12,500 million (31 March 2017 : INR 12,500 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 6,255 million, as mentioned above, and has a resultant gross IFL of INR 6,355 million (31 March 2017 : INR 5,098 million), including INR 100 million received earlier in cash, payable to GoP. The gross IFL of INR 6,355 million (31 March 2017 : INR 5,098 million) was initially recognised at fair value and the difference was treated as a deferred government grant. Subsequently the IFL is being measured at amortised cost and the deferred government grant is being released to the statement of profit and loss on a systematic basis to match them with interest costs, which they intend to compensate.

30. Debenture Redemption Reserve (DRR)

During the current year ended 31 March 2018, pursuant to the provisions of section 71(4) of the Companies Act, 2013, the HMEL has created debenture redemption reserve amounting to INR 3,865 million (31 March 2017: Nil). HMPL has not created DRR in the current year in view of the accumulated losses. Group has not created DRR till the year ended 31 Marh 2017 in view of the accumulated losses.

31. Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for amount to INR 59,058 million (31 March 2017 : INR 11,248 million) net of advances amounting to INR 2,032 million (31 March 2017: INR 378 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

(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 operations and has two reportable segments, as follows:

-Crude oil refining

The Group has a petroleum refinery at Bathinda, Punjab. During the year the capacity of the refinery has increased from 9 Million Metric Tonne Per Annum (MMTPA) to 11.3 MMTPA.

-Exploration and 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 period 20%) which is in the nature of jointly controlled asset and operated by third party. This block is in exploratory stage.

The CODM (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 and production of crude oil		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Revenue						
External revenue	399,431	424,886	-	-	399,431	424,886
Total revenue	399,431	424,886	-	-	399,431	424,886
Result						
Segment profit / (loss)	28,276	43,972	(45)	(14)	28,231	43,958
Add: Unallocated income					326	3,310
Operating profit / (loss)					28,558	47,268
Finance cost					(11,527)	(10,731)
Interest income					78	120
Gain on sale of current investments (net)					107	58
Gain on settlement of deferred sales tax loan					4,635	5,797
Profit / (loss) before tax					21,851	42,512
Tax charge/ (credit)					5,556	11,606
Net profit / (loss) for the period					16,295	30,906
Capital expenditure	29,316	12,533	45	14	29,361	12,547
Depreciation	11,429	11,387	-	-	11,429	11,387
Exploration costs written off	-	-	45	14	45	14

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

Other information

Particulars	Crude oil refining		Exploration and production of crude oil		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Segment assets	339,128	309,383	-	-	339,128	309,383
Unallocated assets	-	-	-	-	11,857	14,104
Total assets	339,128	309,383	-	-	350,985	323,487
Segment liabilities	60,793	45,935	225	180	61,018	46,115
Unallocated liabilities	-	-	-	-	197,873	201,567
Total liabilities	60,793	45,935	225	180	258,891	247,682

Revenue of INR 364,954 million (31 March 2017 : INR 376,309 million) in the crude oil refining segment is from a single customer. No other single customer contributed to ten percent or more to the Group's revenue for the year ended 31 March 2018 and 31 March 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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 2018	31 March 2017	31 March 2018	31 March 2017
India	248,209	232,533	398,860	423,602
Outside India	-	-	571	1,284
Total	248,209	232,533	399,431	424,886

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

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 2018	31 March 2017
1.	Payment of deficit stamp duty on execution of Infrastructure Use Agreement	10	10
2.	Claims made by landowner's for additional compensation/ crop compensation	330	476
3.	Claims raised by project vendors	2,764	2,845
4.	Penalty and interest demand raised by income tax department	323	306
5.	Demand for service tax and penalty raised by service tax department	357	565
6.	Disallowance of cenvat credit and levy of excise duty by department including interest and penalty	1,067	1,057

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

(b) Other litigations

Additionally, the Group has some other tax disputes of INR 729 million (31 March 2017 : 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 2017 : INR 8 million), no provision/ disclosure is required as the liability on account of the same is assessed as remote.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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

There are no material dues owed by the Group to Micro and Small enterprises, which are outstanding for more than 45 days during the year and as at 31 March 2018. This information as required under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Group and has been relied upon by the auditors.

Particulars	31 March 2018	31 March 2017
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.		
i) Principal amount due to micro and small enterprise	Nil	Nil
ii) Interest due on above	Nil	Nil
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
v) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006.	Nil	Nil

35. Leases: Operating leases

The Group has entered into lease arrangements for office premises, guest houses and car terms varying between 3 to 6 years. There are no restrictions imposed by lease arrangements. There are no subleases. There is no contingent rent. The lease agreements do not carry any significant escalation clause. The operating lease payment recognised in the consolidated statement of profit and loss of the Group amounts to INR 252 million (31 March 2017 : INR 257 million). The future minimum lease amounts under non cancellable operating leases and operating leases having lock in periods are as follows:

Particulars	31 March 2018	31 March 2017
Not later than one year	72	56
Later than one year and no longer than five years	193	189
Later than five years	276	315

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

Particulars	31 March 2018	31 March 2017
Share Capital	12,230	12,230
Reserves and surplus	(2,754)	(4,065)
Total Assets	39,405	41,129
Total Liabilities	29,929	32,964
Turnover	7,755	7,782
Profit/(loss) before taxation	(21)	347
Tax expense/ (credit)	(1,333)	(7)
Profit/(Loss) after taxation	1,312	354
% of shareholding	100%	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

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

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

Net Assets/(Liabilities) (total assets minus total liabilities)				
	31 March 2018		31 March 2017	
	Amount	As % of Consolidated net assets /(liabilities)	Amount	As % of Consolidated net assets /(liabilities)
HMEL	94,976	103	79,910	105
HMPL	9,476	10	8,165	11
Sub Total	104,452	113	88,075	116
Elimination *	(12,357)	(13)	(12,270)	(16)
Consolidated	92,095	100	75,805	100

Share in total comprehensive income				
	31 March 2018		31 March 2017	
Particulars	Amount	As % of consolidated profit/ (loss)	Amount	As % of consolidated profit/ (loss)
HMEL	15,066	93	30,413	99
HMPL	1,311	8	354	1
Sub Total	16,377	101	30,767	100
Elimination *	(87)	(1)	129	0
Consolidated	16,290	100	30,896	100

* Adjustments for intra group transaction and / or balances

38. Events after the reporting period

Dividend

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

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

Vinod S. Shenoy
Director
DIN 07632981

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: 8 May 2018

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

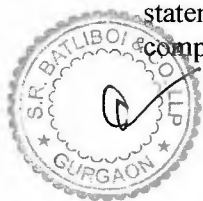
Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on 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

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2017

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

	Notes	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.

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

Place: Mumbai

Date: 19 May 2017

Sidhartha Tyagi

Company Secretary

Membership No. A 14544

Harak Banthia

Chief Financial Officer

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

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

per **Naman Agarwal**
Partner
Membership No. 502405

M. K. Surana
Chairman
DIN 07464675

Rajan Tandon
Director
DIN 01968916

Prabh 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

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

(a) Equity share capital

	No. million	INR million
As at 1 April 2015	7,541	75,415
Changes in equity share capital during the year	500	4,996
As at 31 March 2016	8,041	80,411
Changes in equity share capital during the year	-	-
As at 31 March 2017	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/E300005

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

per **Naman Agarwal**
Partner
Membership No. 502405

M. K. Surana
Chairman
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Rajan Tandon
Director
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Prabh 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

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

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

C CASH FLOW FROM FINANCING ACTIVITIES	31 March 2017	31 March 2016
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

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

-Deposits with original maturity of upto 3 months

Cash and Cash Equivalents (note 5.5)

204	122
522	-
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

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

Place: Mumbai

Date: 19 May 2017

Sidhartha Tyagi

Company Secretary

Membership No. A 14544

Harak Banthia

Chief Financial Officer

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 ('HMEL' or 'the Company') was incorporated in the year 2000 as a wholly owned subsidiary of Hindustan Petroleum Corporation Limited ('HPCL'), a Government Company. Subsequently the Company, pursuant to a joint venture agreement entered into between HPCL and Mittal Energy Investments Pte. 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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

- 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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

(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.

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

INDEPENDENT AUDITOR'S
REPORT

BALANCE SHEET

STATEMENT OF
PROFIT AND LOSS

STATEMENT OF CHANGES
IN EQUITY

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STATEMENT

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STATEMENTS

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.

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 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

Subsequent costs and disposal

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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.

(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

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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.

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.

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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
- 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.

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(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.

(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.

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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.

(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.

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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 amortized 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.

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.

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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.

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.

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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.

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.

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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.

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.

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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 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.

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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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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

3.1 Property, plant and equipment

	Land freehold	Buildings freehold land	Buildings on leasehold land	Plant & equipment on leasehold land	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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

3.2 Capital work in progress

Opening balance
Add: Additions during the year
Add: Expenditure during the year
- Employee benefit expense (note 19)
- Finance costs * (note 22)
- Other expenses (note 20)
- Foreign exchange differences (net)
Less: Assets capitalised during the year

	31 March 2017	31 March 2016
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

Gross block

At 1 April 2015

Additions

At 31 March 2016

Additions

At 31 March 2017

Amortization

Charge for the year

At 31 March 2016

Charge for the year

At 31 March 2017

Net block

At 1 April 2015

At 31 March 2016

At 31 March 2017

Computer Software	Total
926	926
11	11
937	937
84	84
1,021	1,021
334	334
334	334
337	337
671	671
926	926
603	603
350	350

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FOR THE YEAR ENDED 31 MARCH 2017

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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:

- 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.
- 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.
- 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.

5.6. Other financial assets

Derivative instruments at fair value through profit or loss

Derivatives not designated as hedges

- Foreign exchange option contracts
- Interest rate swaps

Non-current			Current		
31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
-	-	-	-	-	7
276	-	-	-	-	-
276	-	-	-	-	7

Other financial assets

(at amortised cost)

- Insurance claim receivable
- Interest accrued but not due
- Balance recoverable on settled derivative contracts

-	-	-	-	-	5,108
5	3	1	39	49	79
-	-	-	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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

6. Income Tax

A: The major components of income tax expense are:

Statement of profit and loss

Current income tax

Current income tax charge

Deferred tax

Relating to origination and reversal of temporary differences

Income tax expense reported in statement of profit and loss

Other comprehensive income

Deferred tax related to items recognised in OCI during the year

Net loss/(gain) on remeasurement of defined benefit plans

31 March 2017	31 March 2016
4,695	270
6,911	4,682
11,606	4,952
3	1
3	1

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

Accounting profit before income tax

At India's statutory income tax rate of 34.608% (31 March 2016: 34.608%)

Tax effect of:

-Gain on settlement of central sales tax exempted from tax

-Foreign exchange fluctuation differences on long term borrowings:

(i) Acquired prior to 31 March 2016 and adjusted to cost of property, plant and equipment

(ii) Acquired post 1 April 2016 and taken to statement of profit and loss

-Foreign exchange fluctuation differences on short term capital liabilities

-Expenses capitalised

-Previously unrecognised MAT recognised during the year

-Temporary differences reversing in tax holiday period

-MAT expenses on which credit not available

-Corporate social responsibility expenses

-Others

At the effective income tax rate of 27.38% (31 March 2016: 23.90%)

At India's statutory income tax rate of 23.072% (31 March 2016: 23.072%)

Indexation difference on land

At the effective income tax rate of 27.30% (31 March 2016: 23.70%)

31 March 2017	31 March 2016
42,512	20,905
14,713	7,235
(1,953)	(5,997)
(938)	1,850
(229)	-
-	27
-	1,596
(205)	-
195	(95)
-	205
10	7
47	168
11,640	4,996
(34)	(44)
(34)	(44)
11,606	4,952

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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

Notes:

- 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.
- HPCL-Mittal Energy Limited ('HMEL') 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.
- 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.
- 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.
- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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7. Tax assets (net)

	Non-current		
	31 March 2017	31 March 2016	01 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	01 April 2015	31 March 2017	31 March 2016	01 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

- Raw material includes stock in transit of INR 6,452 million (31 March 2016: Nil, 1 April 2015: INR 3,171 million).
- 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.
- The inventories of the Group have been pledged as securities against borrowings. Refer note 11.1 and 11.2.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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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 (STRRP 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 TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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.
- (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 disbursal. 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.

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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
The above amount includes			
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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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 portion			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).

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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.

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.

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14. Current tax liabilities

Liabilities for income tax (net of taxes paid)

Current		
31 March 2017	31 March 2016	1 April 2015
827	48	-
827	48	-

15. Revenue from operations

Sale of products (including excise duty)

Finished goods

31 March 2017	31 March 2016
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

Gain on sale of current investments (net)

Gain on settlement of deferred sales tax loan (note 29)

Insurance claims received

Foreign exchange difference (net)

Fair value gain on derivative contracts (net)

Other non-operating income

Interest income on effective interest basis

Bank deposits

Deposits and tax refunds

31 March 2017	31 March 2016
58	66
5,797	5,533
33	27
2,577	-
-	2,374
161	127
77	139
43	42
8,746	8,308

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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 of 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 expense

	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

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20. Other expenses

	31 March 2017	31 March 2016
Consumption of chemicals, stores and spares	2,312	2,822
Power & fuel	822	914
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	-

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21. Depreciation and amortisation expense

Depreciation property, plant and equipment (note 3.1)
Amortisation of intangible assets (note 4)

31 March 2017	31 March 2016
11,050	11,138
337	334
11,387	11,472

22. Finance costs

Interest cost
Exchange difference to the extent considered as an adjustment to borrowing cost
Bank charges
Interest rate swap - settlement
Unwinding of discount on long term provision

Less: Interest cost capitalised (note 3.2)
Less: Government incentives (note 13)

31 March 2017	31 March 2016
9,902	14,160
790	2,522
183	363
237	294
90	77
11,202	17,416
(190)	(113)
(281)	(185)
10,731	17,118

23. Earnings per share (EPS)

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)

Weighted average number of equity shares in calculating basic and diluted EPS (in million)

Basic - Par value of INR 10 per share (in INR)

Diluted - Par value of INR 10 per share (in INR)

31 March 2017	31 March 2016
30,906	15,953
8,041	7,743
3.84	2.06
3.84	2.06

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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	156	134	-	-	-	134
Share capital issued during the year	-	2,488	-	2,488	-	4,976
Share application money refunded	-	-	-	1	-	1
Reimbursement of expenses paid/ payable	5	4	-	1	-	5
Purchase of goods	1,331	1,827	-	-	-	1,827
Sale of goods	387,209	351,519	-	-	-	351,519
Key management personnel compensation						
(a) short-term employee benefits	-	-	-	-	63	51
(b) post-employment benefits	-	-	-	-	2	2

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

- (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.

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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

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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

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

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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.

(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.

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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 reporting date.

(c.1) Foreign currency exchange risk

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

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

A reasonably possible strengthening /weakening of the Indian Rupee against such foreign currency as at 31 March 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.

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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	
1% movement	Strengthening	Weakening	Strengthening	Weakening
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.

H MEL 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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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

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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

(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.

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(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.

(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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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 INR 1,1248 million (31 March 2016: INR 3,883 million, 1 April 2015: INR 6,765 million)

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.

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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 segment

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

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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.

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 compensation	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 department	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.

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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

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

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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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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.

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

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FOR THE YEAR ENDED 31 MARCH 2017

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

INDEPENDENT AUDITOR'S
REPORT

BALANCE SHEET

STATEMENT OF
PROFIT AND LOSS

STATEMENT OF CHANGES
IN EQUITY

CASH FLOW
STATEMENT

NOTES TO FINANCIAL
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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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

Place: Mumbai

Date: 19 May 2017

Sidhartha Tyagi

Company Secretary

Membership No. A 14544

Harak Banthia

Chief Financial Officer

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