

# INDEPENDENT AUDITOR'S REPORT

To  
The Members of Nayara Energy Limited  
(Formerly known as 'Essar Oil Limited')

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying Consolidated Financial Statements of Nayara Energy Limited (Formerly known as 'Essar Oil 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, 2019, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

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 accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of 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 (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

### Other Information

The Holding Company'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 and our auditor's report thereon.

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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The Annual report is expected to be made available to us after the date of this auditor's report. When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibility of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) 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; 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 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 Holding Company, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those 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 Responsibilities 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 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 Holding Company 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities 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.

### **Other Matter**

The accompanying Consolidated Financial Statements include unaudited financial statements and other unaudited financial information in respect of two subsidiaries, whose financial statements and other financial information reflect total assets of Rs 1 million as at March 31, 2019, and net cash inflows of Rs 1 million for the year ended on that date. These unaudited financial statements and other unaudited financial information have been furnished to us by the Management.

Our opinion, in so far as it relates to amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries is based solely on such unaudited financial statement and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

Our opinion above on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the financial statements and other financial information certified by the Management.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:

- (a) We have relied upon 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 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, the 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 Financial Statements;
- (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company and by the directors of its subsidiary companies as on March 31, 2019 taken on record by the respective Board of Directors of the Holding Company and the subsidiary companies, none of the directors of the Group's companies, incorporated in India 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 and the operating effectiveness of the internal financial controls over financial reporting with reference to these Consolidated Financial Statements of the Holding Company and its subsidiary companies, incorporated in India, refer to our separate Report in Annexure to this report;
- (g) In our opinion, and to the best of our information and according to the explanations given to us, the remuneration paid / provided by Holding Company to its directors for the year ended March 31, 2019 is in excess of the amounts permissible under section 197 of the Act, read with Schedule V thereto (refer note 49).
- (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 its consolidated financial position of the Group in its Consolidated Financial Statements – Refer Note 38 to the Consolidated Financial Statements;
  - ii. Provision has been made in the Consolidated 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 20 and 25 to the Consolidated 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, its subsidiaries, incorporated in India during the year ended March 31, 2019.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

**per Naman Agarwal**

Partner

Membership Number: 502405

Place of Signature: New Delhi

Date: June 17, 2019

## ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NAYARA ENERGY LIMITED (Formerly known as 'Essar Oil 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 Nayara Energy Limited as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of Nayara Energy Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies, which are companies 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 with reference to these consolidated financial statements 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 with reference to these consolidated financial statements 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 over financial reporting with reference to these consolidated financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated financial statements, 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 over financial reporting with reference to these consolidated financial statements.

### Meaning of Internal Financial Controls over Financial Reporting with reference to these Consolidated Financial Statements

A company's internal financial control over financial reporting with reference to these consolidated financial statements 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 with reference to these consolidated financial statements 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 With Reference to these Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated financial statements, 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 with reference to these consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated financial statements 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, its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2019, 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: New Delhi

Date: June 17, 2019

# Consolidated Balance Sheet

As at March 31, 2019

(₹ in million)

| Particulars   | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|-------|----------------------|----------------------|
| <b>ASSETS</b>   |       |                      |                      |
| <b>1) Non-current assets</b>  |       |                      |                      |
| (a) Property, plant and equipment   | 6     | 457,999              | 455,855              |
| (b) Capital work-in-progress  | 6     | 4,823                | 6,780                |
| (c) Goodwill  | 6     | 108,184              | 108,184              |
| (d) Other Intangible assets   | 6     | 266                  | 330                  |
| (e) Investments   | 7     | -                    | -                    |
| (f) Financial assets  | 8     | 5,600                | 6,079                |
| (g) Other non-current assets  | 9     | 3,202                | 2,731                |
| (h) Non-current tax assets (net)  |       | 8,713                | 4,880                |
| <b>2) Current assets</b>  |       |                      |                      |
| (a) Inventories   | 10    | 94,550               | 73,312               |
| (b) Financial assets  |       |                      |                      |
| (i) Investments   | 11    | 1,001                | 13,021               |
| (ii) Trade receivables  | 12    | 36,891               | 29,272               |
| (iii) Cash and cash equivalents   | 13    | 7,059                | 24,593               |
| (iv) Bank balances other than (iii) above                                   | 14    | 6,283                | 10,200               |
| (v) Other financial assets  | 15    | 5,682                | 2,402                |
| (c) Other current assets  | 16    | 5,930                | 6,251                |
| <b>TOTAL ASSETS</b>   |       | <b>746,183</b>       | <b>743,890</b>       |
| <b>EQUITY AND LIABILITIES</b>   |       |                      |                      |
| <b>EQUITY</b>   |       |                      |                      |
| (a) Equity share capital  | 17    | 15,072               | 15,072               |
| (b) Other equity  | 18    | 174,461              | 166,939              |
| <b>Equity attributable to equity holders of the parent</b>                  |       | <b>189,533</b>       | <b>182,011</b>       |
| Non-controlling Interests   | 45    | 2,632                | 2,536                |
| <b>Total equity</b>   |       | <b>192,165</b>       | <b>184,547</b>       |
| <b>LIABILITIES</b>  |       |                      |                      |
| <b>1) Non-current liabilities</b>   |       |                      |                      |
| (a) Financial liabilities   |       |                      |                      |
| (i) Borrowings  | 19    | 118,266              | 113,277              |
| (ii) Other financial liabilities  | 20    | 70,157               | 69,621               |
| (b) Deferred tax liabilities (net)  | 21    | 80,706               | 75,919               |
| (c) Other non current liabilities   | 22    | 35,821               | -                    |
| <b>2) Current liabilities</b>   |       |                      |                      |
| (a) Financial liabilities   |       |                      |                      |
| (i) Borrowings  | 23    | 57,402               | 73,391               |
| (ii) Trade payables:  | 24    |                      |                      |
| -Total outstanding dues of micro and small enterprises                      |       | 24                   | 30                   |
| -Total outstanding dues of creditors other than micro and small enterprises |       | 92,687               | 170,979              |
| (iii) Other financial liabilities   | 25    | 72,020               | 21,322               |
| (b) Other current liabilities   | 26    | 26,041               | 34,028               |
| (c) Provisions  | 27    | 811                  | 589                  |
| (d) Current tax liabilities (net)   |       | 83                   | 187                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |       | <b>746,183</b>       | <b>743,890</b>       |

See accompanying notes to the consolidated financial statements

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Co. LLP**  
Chartered Accountants  
Firm Registration No. 301003E/E300005

**Chin Hwee Tan**  
Director  
DIN : 07703660

**Deepak Kapoor**  
Director  
DIN : 00162957

**per Naman Agarwal**  
Partner  
Membership No. 502405

**C. Manoharan**  
Director  
DIN : 00184471

**B. Anand**  
Chief Executive Officer

New Delhi, June 17, 2019

**Anup Vikal**  
Chief Financial Officer  
New Delhi, June 17, 2019

**Mayank Bhargava**  
Company Secretary

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in million)

| Particulars   | Notes     | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|---|-----------|--------------------------------------|--------------------------------------|
| <b>Continuing Operations</b>  |           |                                      |                                      |
| <b>Income</b>   |           |                                      |                                      |
| Revenue from operations   | 28        | 986,594                              | 855,280                              |
| Other income  | 29        | 16,538                               | 11,647                               |
| <b>Total Income</b>   |           | <b>1,003,132</b>                     | <b>866,927</b>                       |
| <b>Expenses</b>   |           |                                      |                                      |
| Cost of raw materials consumed  |           | 618,542                              | 492,078                              |
| Excise duty   |           | 130,367                              | 146,968                              |
| Purchases of stock-in-trade   |           | 146,102                              | 108,631                              |
| Changes in inventory of finished goods, stock-in-trade and work-in-progress   | 30        | (2,425)                              | (5,897)                              |
| Employee benefits expense   | 31        | 5,357                                | 4,981                                |
| Finance costs   | 32        | 25,626                               | 33,678                               |
| Depreciation and amortisation expense   | 6         | 18,366                               | 17,011                               |
| Other expenses  | 33        | 48,880                               | 40,326                               |
| <b>Total expenses</b>   |           | <b>990,815</b>                       | <b>837,776</b>                       |
| <b>Profit before exceptional items and tax</b>  |           | <b>12,317</b>                        | <b>29,151</b>                        |
| Exceptional items   | 34        | 1,773                                | 18,447                               |
| <b>Profit before tax</b>  |           | <b>10,544</b>                        | <b>10,704</b>                        |
| <b>Tax expense:</b>   | <b>21</b> |                                      |                                      |
| (a) Current tax expenses  |           | 967                                  | 1,651                                |
| (b) Deferred tax expenses   |           | 2,692                                | 2,360                                |
| <b>Total tax expenses</b>   |           | <b>3,659</b>                         | <b>4,011</b>                         |
| <b>Profit from continuing operations</b>  |           | <b>6,885</b>                         | <b>6,693</b>                         |
| <b>Discontinued operations</b>  |           |                                      |                                      |
| Loss from discontinued operations (after tax)   | 35        | -                                    | (923)                                |
| <b>Profit for the year</b>  |           | <b>6,885</b>                         | <b>5,770</b>                         |
| <b>Other comprehensive income</b>   |           |                                      |                                      |
| Items that will not be reclassified to profit and loss  |           | (89)                                 | (14)                                 |
| Remeasurement losses on defined benefit plans   |           | (137)                                | (22)                                 |
| Income tax effect   |           | 48                                   | 8                                    |
|   |           | (89)                                 | (14)                                 |
| <b>Items that will be reclassified to profit and loss</b>   |           | <b>822</b>                           | <b>(451)</b>                         |
| Effective portion of cash flow hedges (net)   |           | 1,153                                | (620)                                |
| Income tax effect   |           | (403)                                | 221                                  |
|   |           | 750                                  | (399)                                |
| Foreign currency monetary item translation difference account   |           | 109                                  | (80)                                 |
| Income tax effect   |           | (38)                                 | 29                                   |
|   |           | 71                                   | (51)                                 |
| Exchange difference arising on translation of foreign operation   |           | 1                                    | (1)                                  |
| Income tax effect   |           | -                                    | -                                    |
|   |           | 1                                    | (1)                                  |
| <b>Other comprehensive income / (loss) for the year, net of tax</b>   |           | <b>733</b>                           | <b>(465)</b>                         |
| <b>Total comprehensive income for the year<br/>(comprising profit and other comprehensive income / (loss) for the year)</b> |           | <b>7,618</b>                         | <b>5,305</b>                         |

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

(₹ in million)

| Particulars  | Notes     | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|--|-----------|--------------------------------------|--------------------------------------|
| <b>Profit for the year attributable to:</b>  |           |                                      |                                      |
| (a) Equity holders of the parent   |           | 6,789                                | 5,757                                |
| (b) Non-controlling interests  |           | 96                                   | 13                                   |
| <b>Other Comprehensive income / (loss) for the year attributable to:</b>                 |           |                                      |                                      |
| (a) Equity holders of the parent   |           | 733                                  | (465)                                |
| (b) Non-controlling interests  |           | (0)                                  | (0)                                  |
| <b>Total comprehensive income attributable to:</b>                                       |           |                                      |                                      |
| (a) Equity holders of the parent   |           | 7,522                                | 5,292                                |
| (b) Non-controlling interests  |           | 96                                   | 13                                   |
| <b>Earnings / (loss) per share for basic and diluted in ₹ (Face value ₹10 per share)</b> | <b>36</b> |                                      |                                      |
| (1) For Continuing operations  |           | 4.55                                 | 4.48                                 |
| (2) For Discontinued operations  |           | -                                    | (0.62)                               |
| (3) For Continuing and discontinuing operations  |           | 4.55                                 | 3.86                                 |

**See accompanying notes to the consolidated financial statements**

As per our report of even date

**For S. R. Batliboi & Co. LLP**

Chartered Accountants  
Firm Registration No. 301003E/E300005

**per Naman Agarwal**

Partner  
Membership No. 502405

New Delhi, June 17, 2019

For and on behalf of the Board of Directors

**Chin Hwee Tan**

Director  
DIN : 07703660

**C. Manoharan**

Director  
DIN : 00184471

**Anup Vikal**

Chief Financial Officer

New Delhi, June 17, 2019

**Deepak Kapoor**

Director  
DIN : 00162957

**B. Anand**

Chief Executive Officer

**Mayank Bhargava**

Company Secretary



# Consolidated Statement of Cash Flows

for the year ended March 31, 2019

(₹ in million)

| Particulars  | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|--|--------------------------------------|--------------------------------------|
| <b>A Cash flow from operating activities</b>   |                                      |                                      |
| <b>Net profit before tax</b>   | <b>10,544</b>                        | <b>9,781</b>                         |
| Adjustments for:   |                                      |                                      |
| Interest income  | (1,461)                              | (4,375)                              |
| Dividend income  | -                                    | (5)                                  |
| Depreciation and amortisation expense  | 18,366                               | 17,011                               |
| Loss on disposal / discard of property, plant and equipment (net)  | 172                                  | 119                                  |
| Capital work in progress written off (refer note 34)   | -                                    | 2,970                                |
| Gain on investment / financial assets measured at FVTPL  | (772)                                | (346)                                |
| Export obligation deferred income  | (1,866)                              | -                                    |
| Unrealised foreign exchange differences (net)  | (2,710)                              | 8,774                                |
| Net mark to market gain on derivative contracts  | 1,150                                | (830)                                |
| Net expected credit loss / (gain)  | 190                                  | (4,711)                              |
| Doubtful debts written off   | 4                                    | 12                                   |
| Unspent liability and excess provision written back  | -                                    | (5,098)                              |
| Gain on discontinuance of an associate due to control acquisition  | -                                    | (1,003)                              |
| Loss from discontinued operations (refer note 35)  | -                                    | 775                                  |
| Interest expense   | 25,626                               | 33,678                               |
| <b>Operating profit before working capital changes</b>   | <b>49,243</b>                        | <b>56,752</b>                        |
| Adjustments for working capital changes:   |                                      |                                      |
| (Increase) in inventories  | (21,238)                             | (2,718)                              |
| (Increase) / Decrease in trade and other receivables   | (12,350)                             | 191,546                              |
| Increase / (Decrease) in trade and other payables  | 9,955                                | (143,193)                            |
| <b>Cash generated from operating activities</b>  | <b>25,610</b>                        | <b>102,387</b>                       |
| Income tax paid (net) (including interest)   | (3,191)                              | (2,179)                              |
| <b>Net cash generated from operating activities</b>  | <b>22,419</b>                        | <b>100,208</b>                       |
| <b>B Cash flow from investing activities</b>   |                                      |                                      |
| Payments for property, plant and equipment (including capital work in progress, Intangible assets, Capital advances and Capital creditors)                         | (15,597)                             | (5,290)                              |
| Proceeds from sale / (Payments for purchase) of short term investments (net)   | 12,792                               | (12,774)                             |
| Proceeds from sale of long term investments  | -                                    | 99                                   |
| Dividend income received   | -                                    | 5                                    |
| Realisation of deposits  | -                                    | 53,614                               |
| Proceeds from disposal of a subsidiary   | -                                    | 4,784                                |
| Payments for acquisition of subsidiary and business (net of cash acquired)   | -                                    | (42,943)                             |
| Encashment of short term bank deposits (net)   | 3,786                                | 5,142                                |
| Refund of inter corporate deposits   | -                                    | 1,275                                |
| Interest received  | 2,281                                | 5,802                                |
| <b>Net cash generated from investing activities</b>  | <b>3,262</b>                         | <b>9,714</b>                         |
| <b>C Cash flow from financing activities</b>   |                                      |                                      |
| Proceeds from long-term borrowings   | 33,000                               | 95,330                               |
| Repayment of long-term borrowings  | (36,304)                             | (142,169)                            |
| Proceeds from short-term borrowings  | 55,000                               | 70,715                               |
| Repayment of short-term borrowings   | (82,782)                             | (99,383)                             |
| Net changes in short term borrowings of less than 3 months   | 10,189                               | 2,824                                |
| Finance cost paid  | (24,046)                             | (28,681)                             |
| <b>Net cash (used in) financing activities</b>   | <b>(44,943)</b>                      | <b>(101,364)</b>                     |
| <b>Net (decrease) / increase in cash and cash equivalents</b>  | <b>(19,262)</b>                      | <b>8,558</b>                         |
| <b>Net exchange differences on foreign currency bank balances</b>  | <b>0</b>                             | <b>0</b>                             |
| <b>Cash and cash equivalents at the beginning of the year</b>  | <b>24,601</b>                        | <b>16,043</b>                        |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>5,339</b>                         | <b>24,601</b>                        |
| <b>Composition of Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following consolidated balance sheet amounts:</b> |                                      |                                      |
| <b>Cash and cash equivalents as per the consolidated balance sheet (refer note 13)</b>   | <b>7,059</b>                         | <b>24,593</b>                        |
| <b>Add: Earmarked bank balances (refer note 14)</b>  | <b>9</b>                             | <b>9</b>                             |
| <b>Less: Bank overdraft (refer note 23)</b>  | <b>(1,729)</b>                       | <b>(1)</b>                           |
| <b>Total</b>   | <b>5,339</b>                         | <b>24,601</b>                        |

# Consolidated Statement of Cash Flows

for the year ended March 31, 2019

Reconciliation between the opening and closing balances in the Consolidated balance sheet for liabilities arising from financing activities (₹ in million)

| Particulars   | As at April 1, 2018 | Cash changes (net) | Non cash changes (net) | As at March 31, 2019 |
|---|---------------------|--------------------|------------------------|----------------------|
| Long term borrowings including current maturities classified in other financial liabilities | 128,295             | (3,304)            | 1,704                  | 126,695              |
| Short term borrowings *   | 73,390              | (17,593)           | (124)                  | 55,673               |

  

| Particulars   | As at April 1, 2017 | Cash changes (net) | Non cash changes (net) | As at March 31, 2018 |
|---|---------------------|--------------------|------------------------|----------------------|
| Long term borrowings including current maturities classified in other financial liabilities | 168,247             | (46,839)           | 6,887                  | 128,295              |
| Short term borrowings *   | 99,234              | (25,844)           | 0                      | 73,390               |

\*Excluding bank overdraft disclosed as part of cash and cash equivalent for the purpose of cashflow statement.

## Notes:

- The above cash flow from operating activities has been prepared under the "Indirect Method" as set out in Indian Accounting Standard (Ind AS) 7- Statement of cash flows.
- During the previous year, the Company adjusted its receivables of ₹ 25,670 million and ₹ 3,297 million against the purchase consideration payable for acquiring the equity shares of Vadinar Oil Terminal Limited and acquisition of business of Vadinar Power Company Limited respectively. This being a non-cash transaction has not formed part of the above cash flow statement.
- Interest received on certain financial / other assets and cash repayment of customer advances are being included under investing and operating activities, respectively, to reflect substance of the transactions. To ensure comparability, the Group has also reclassified previous year figures resulting in higher cash flows of ₹ 3,704 million from investing activities, higher cash flows of ₹ 805 million from financing activities, with a corresponding reduction in operating cash flows.

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Co. LLP**  
Chartered Accountants  
Firm Registration No. 301003E/E300005

**Chin Hwee Tan**  
Director  
DIN : 07703660

**Deepak Kapoor**  
Director  
DIN : 00162957

**per Naman Agarwal**  
Partner  
Membership No. 502405

**C. Manoharan**  
Director  
DIN : 00184471

**B. Anand**  
Chief Executive Officer

New Delhi, June 17, 2019

**Anup Vikal**  
Chief Financial Officer

**Mayank Bhargava**  
Company Secretary

New Delhi, June 17, 2019

# Consolidated Statement of Changes in Equity

for the year ended March 31, 2019

| Particulars     | (₹ in million)                    |                                   |
|-----------------|-----------------------------------|-----------------------------------|
|                 | For the year ended March 31, 2019 | For the year ended March 31, 2019 |
| Opening balance | 15,072                            | 15,072                            |
| Closing balance | 15,072                            | 15,072                            |

## a. Equity Share Capital

## b. Other Equity Consolidated Statement of Changes in Equity For the year April 01, 2017 to March 31, 2018

| Particulars  | Reserves and Surplus |                    |                         |                 | Other Comprehensive Income / (loss) (OCI) |                                      |   |   | Attributable to owners of the Parent | Non-controlling interest | Total   |
|--|----------------------|--------------------|-------------------------|-----------------|---|--------------------------------------|---|---|--------------------------------------|--------------------------|---------|
|  | Capital reserve      | Securities premium | Debt redemption reserve | General reserve | Retained earnings                         | Foreign currency Translation Reserve | Effective portion of Cash Flow Hedges* monetary item translation difference account | Foreign currency monetary item translation difference account |                                      |                          |         |
| <b>Balance as at April 01, 2017</b>                    | 409                  | 78,014             | 108                     | 488             | 83,646                                    | (0)                                  | (768)   | (250)   | 161,647                              | -                        | 161,647 |
| Profit for the year                                    | -                    | -                  | -                       | -               | 5,757                                     | -                                    | -   | -   | 5,757                                | 13                       | 5,770   |
| Other Comprehensive loss for the year                  | -                    | -                  | -                       | -               | (14)                                      | (1)                                  | (399)   | (51)  | (465)                                | (0)                      | (465)   |
| <b>Total Comprehensive income for the year</b>         | -                    | -                  | -                       | -               | 5,743                                     | (1)                                  | (399)   | (51)  | 5,292                                | 13                       | 5,305   |
| Debt redemption reserve transferred to General Reserve | -                    | -                  | (106)                   | 106             | -   | -                                    | -   | -   | -                                    | -                        | -       |
| Acquisition of a subsidiary                            | -                    | -                  | -                       | -               | -   | -                                    | -   | -   | -                                    | 2,523                    | 2,523   |
| <b>Balance as at March 31, 2018</b>                    | 409                  | 78,014             | 2                       | 594             | 89,389                                    | (1)                                  | (1,167)   | (301)   | 166,939                              | 2,536                    | 169,475 |

# Consolidated Statement of Changes in Equity

for the year ended March 31, 2019

Consolidated Statement of Changes in Equity for the year April 01, 2018 to March 31, 2019

| Particulars  | Reserves and Surplus |                    |                         |                 | Other Comprehensive Income / (loss) (OCI) |                                      |   |                  | Attributable to owners of the Parent | Non-controlling interest | Total   |
|--|----------------------|--------------------|-------------------------|-----------------|---|--------------------------------------|---|------------------|--------------------------------------|--------------------------|---------|
|  | Capital reserve      | Securities premium | Debt redemption reserve | General reserve | Retained Earnings                         | Foreign currency Translation Reserve | Effective portion of Cash Flow Hedges* monetary item translation difference account | Foreign currency |                                      |                          |         |
| <b>Balance as at April 01, 2018</b>                    | 409                  | 78,014             | 2                       | 594             | 89,389                                    | (1)                                  | (1,167)   | (301)            | 166,939                              | 2,536                    | 169,475 |
| Profit for the year                                    | -                    | -                  | -                       | -               | 6,789                                     | -                                    | -   | -                | 6,789                                | 96                       | 6,885   |
| Other Comprehensive Income for the year                | -                    | -                  | -                       | -               | (89)                                      | 1                                    | 750   | 71               | 733                                  | (0)                      | 733     |
| <b>Total Comprehensive Income for the year</b>         | -                    | -                  | -                       | -               | 6,700                                     | 1                                    | 750   | 71               | 7,522                                | 96                       | 7,618   |
| Debt redemption reserve transferred to General Reserve | -                    | -                  | (2)                     | 2               | -   | -                                    | -   | -                | -                                    | -                        | -       |
| <b>Balance as at March 31, 2019</b>                    | 409                  | 78,014             | -                       | 596             | 96,089                                    | (0)                                  | (417)   | (230)            | 174,461                              | 2,632                    | 177,093 |

\* Including recycled from cash flow hedge reserve to statement of profit and loss account ₹ 16,520 million (net of tax) (Previous year ₹ 7,762 million)

As per our report of even date

**For S. R. Batilboi & Co. LLP**

Chartered Accountants  
Firm Registration No. 301003E/E3000005

**per Naman Agarwal**

Partner  
Membership No. 502405  
New Delhi, June 17, 2019

**For and on behalf of the Board of Directors**

**Chin Hwee Tan**

Director  
DIN : 07703660

**C. Manoharan**

Director  
DIN : 00184471

**Anup Vikal**

Chief Financial Officer  
New Delhi, June 17, 2019

**Deepak Kapoor**

Director  
DIN : 00162957

**B. Anand**

Chief Executive Officer

**Mayank Bhargava**

Company Secretary

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 1. Corporate information

Nayara Energy Limited (formerly known as Essar Oil Limited) (the Company) is a public limited company incorporated under the provisions of the Companies Act, 1956 (since replaced by the Companies Act, 2013). The registered office of the Company is located at Devbhumi Dwarka, Gujarat, India. The Company and its subsidiaries (collectively referred to as the Group) are primarily engaged in the business of refining of crude oil, marketing of petroleum products in domestic and overseas markets, providing port and terminal services for the Company's refinery. The Company owns India's second largest single site refinery at Vadinar, Gujarat with a current capacity of 20MMTPA. The Company has over 5,100 operational outlets and more than 2,600 outlets at various stages of completion.

The consolidated financial statements of Nayara Energy Limited and its subsidiaries (collectively, the Group) for the year ended March 31, 2019 were authorised for issue in accordance with a resolution of the directors on June 17, 2019.

Information of the Group's structure is also provided in note 50. Information on other related party relationships of the Group is provided in note 49.

## 2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting Standards (Ind ASs), prescribed under Section 133 of the Companies Act 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended).

These consolidated financial statements are prepared under the accrual basis and historical cost measurement, except for certain financial instruments (refer accounting policy on financial instruments), which are measured at fair values. The consolidated financial statements provide comparative information in respect of the previous period. The consolidated financial statements are presented in Indian National Rupee (₹) which is the functional currency of the Company, and all values are rounded to the nearest million, except where otherwise indicated. All amounts individually less than ₹ 0.5 million have been reported as "0".

### A. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries

(collectively, the "Group") as at reporting date. Subsidiaries are entities controlled by the Group.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 March 31.

### Consolidation procedures:

- (a) Combine like items 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 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. Business combinations policy explains how to account for any related goodwill.
- (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.
- (d) Deferred tax assets and liabilities are recognised for temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

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.

## 3. Summary of significant accounting policies

### A. Business combinations and goodwill

#### Non-common control business combinations

Non-common control business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses [refer note 4 (B) (iii)].

### B. Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each consolidated balance sheet date. The group has also disclosed fair value of financial instruments.

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 best economic 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 minimizing the use of unobservable inputs.

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

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities.

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.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (refer note 44)
- Quantitative disclosures of fair value measurement hierarchy (refer note 44)
- Financial instruments (including those carried at amortised cost) (refer note 44)

## C. Property, Plant and Equipment

Property, plant & equipment (PPE) is recorded at cost of acquisition less accumulated depreciation and impairment loss, if any. Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

Cost of acquisition comprises of all costs incurred to bring the assets to their present location and working condition up to the date the assets are ready for their intended use. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection including turnaround and maintenance is performed, its cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognised. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

### Depreciation

Depreciation on PPE including assets whose ownership vests with a third party, is provided, pro-rata for the period of use, on a straight line method, as specified in schedule II of Companies Act, 2013 except in respect of plant and machinery. The estimate of the useful life of these assets including catalysts has been assessed based on technical advice which considers the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support, etc. Major inspection including turnaround and maintenance cost are depreciated over the next cycle. The estimated useful life of items of

property, plant and equipment is mentioned below:

| Particulars                       | Estimated useful life<br>(in years) |
|-----------------------------------|-------------------------------------|
| Temporary Building                | 3                                   |
| Building including taken on lease | 15-60                               |
| Plant and machinery               | 2-40                                |
| Furniture and fixtures            | 1-10                                |
| Office equipment                  | 1-6                                 |
| Vehicles                          | 1-10                                |

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

## D. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period, and treated as change in estimate, if any change is required.

The Group has estimated the useful life of software and licenses ranging from 3 - 5 years from the date of acquisition and amortises the same over the said period on a straight line basis.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## De-recognition

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 statement of profit and loss when the asset is derecognised.

## E. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit and loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any

impairment loss for goodwill is recognised in statement of profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

## F. 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.

Leases are classified as finance leases whenever the terms of the lease, transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

An operating lease is a lease other than a finance lease. Lease expenses and lease income are recognised in the statement of profit and loss on a straight line basis over the lease term.

## G. Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of inventories comprise of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of crude oil purchased and coal inventory is determined on a first in first out basis and the cost of all other inventories is determined on a monthly weighted average basis.

## H. Revenue recognition (also refer note 5(i))

### (i). Sale of goods

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer. Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The recovery of excise duty flows to the Group on its own account, revenue includes excise duty.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

(ii). Variable consideration

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The volume rebates give rise to variable consideration. The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. The Group applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

## I. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

## J. Retirement and other employee benefits

Contributions to defined contribution plans are recognised as expense on accrual basis when employees have rendered services and as when the contributions are due.

The Group determines the present value of the defined benefit obligation and fair value of plan assets. The net liability or assets represents the deficit or surplus in the Group's defined benefit plans. (The surplus is limited to the present value of economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans). The present value of the obligation is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each year.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which

they occur. Remeasurements are not reclassified to the consolidated statement of profit and loss in subsequent periods.

Past service costs are recognised in the consolidated statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and  
The date that the Group recognises related restructuring costs  
Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under the head 'employee benefit expense' in the consolidated statement of profit and loss:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

## K. Foreign currencies

The Group's consolidated financial statements are presented in Indian Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to the consolidated statement of profit and loss reflects the amount that arises from using this method.

(i) Transaction and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange difference arising on settlement/ restatement of long-term foreign currency monetary items recognized in the financial statements for the year ended March 31, 2016 prepared under previous GAAP, are capitalized as a part of the depreciable fixed assets to which the monetary item relates and depreciated over the remaining useful life of such assets. If such monetary items do not relate to acquisition of depreciable fixed assets, the exchange difference is

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

amortised over the maturity period/ upto the date of settlement of such monetary item, whichever is earlier and charged to the Statement of Profit and Loss on annual basis. The un-amortised exchange difference is carried under other equity as "Foreign currency monetary item translation difference account" net of tax effect thereon, where applicable. Exchange difference arising on settlement / restatement of other items are charged to statement of profit and loss.

## (ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition/ business combination of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. The restated gain / loss is recognised in OCI.

## L. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations' results are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss (refer note 35).

## M. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments comprise of financial assets and financial liabilities. Financial assets primarily comprise of loans and advances, deposits, trade receivables and cash and cash equivalents. Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Derivatives can be financial assets or financial liabilities depending on whether value is positive or negative respectively.

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

### (i) Financial Assets

#### a) Initial Recognition and measurement

The Group initially recognises loans and advances, deposits and debt securities issued on the date on which they originate. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument. A financial asset is initially measured at fair value plus / minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

#### b) Classification of financial assets

On initial recognition, a financial asset is classified into one of the following categories:

- Financial assets other than equity investment at amortised cost
- Financial assets other than equity investment at fair value through other comprehensive income (FVTOCI)
- Financial assets other than equity investment at fair value through profit or loss (FVTPL)

Financial assets other than equity investment measured at amortised cost:

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets 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.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to deposits, trade and other receivables.

Financial assets other than equity investment at FVTOCI:

A debt instrument is classified as FVTOCI only if it meets both of the following conditions and is not designated at FVTPL;

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, 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 other than equity investment at FVTPL:

FVTPL is a residual category for financial assets. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. In addition, the group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in

the consolidated statement of profit and loss.

## c) 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the consolidated statement of profit and loss if such gain or loss would have otherwise been recognised in the consolidated statement of profit and loss on disposal of that financial asset.

## d) Impairment of financial assets

In accordance with Ind AS 109, the Group uses 'Expected Credit Loss' (ECL) model, for evaluating impairment of financial assets other than those measured at Fair Value Through Profit and Loss (FVTPL). Expected credit losses are measured through a loss allowance at an amount equal to:

- The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- For other assets, the Group uses 12 month Expected Credit Loss to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime Expected Credit Loss is used.
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For trade receivables, the Group applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

## e) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating

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interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognized in the consolidated statement of profit and loss and is included in the 'Other income' line item.

(ii) Financial liabilities / debt and equity instruments

a) Classification as financial liability / debt or equity

Debt and equity instruments issued by a Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument in Ind AS 32.

b) Financial liabilities / debt

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings including payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Derivative can be financial assets or financial liabilities depending on whether value is positive or negative respectively.

c) Financial liabilities:

The group does not have any financial liabilities, except which is used to minimise accounting mismatch, to be classified as at FVTPL. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

d) Derecognition of financial liabilities:

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the new liability recognised plus consideration paid or payable is recognised in the consolidated statement of profit and loss.

## N. Derivative financial instruments and hedge accounting

(i) Initial recognition and subsequent measurement of Derivative and embedded derivatives financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, commodity price and foreign exchange rate risks. These derivatives include foreign exchange forward contracts, foreign exchange options, commodity forward contracts, interest rate swaps and cross / full currency swaps.

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

The resulting gain or loss is recognised in the consolidated statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of profit and loss or otherwise depends on the nature of the hedge item.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of Ind AS 109 'Financial Instruments' are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## (ii) Hedge Accounting

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

## (iii) Cash flow hedges

Changes in the fair value of derivatives/ hedging instruments that are designated and qualify as cash flow hedges are deferred in the "Cash Flow Hedge Reserve". The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit and loss. Amounts deferred in the Cash Flow Hedge Reserve Account are recycled in the statement of profit and loss in the periods when the hedged item is recognised and affects the statement of profit and loss, in the same line as the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. In case of cash flow hedges, any cumulative gain or loss deferred in the Cash Flow Hedge Reserve Account at that time is retained and is recognised when the forecast transaction is ultimately recognised and affects the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred is recognised immediately in the statement of profit and loss.

## O. Borrowing Costs

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the Statement of profit and loss in the period in which they are incurred.

## P. Taxes

### (i) Current Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside consolidated statement of profit and loss is recognised outside consolidated statement of profit and loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised 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

# Notes to Consolidated Financial Statements

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- In respect of taxable temporary differences associated with investments in subsidiaries and associates, 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
- Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. However, recognition of deferred tax asset is subject to the following exceptions: When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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 deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred

taxes relate to income taxes levied by the same taxation authority on the same taxable entity.

(iii) Sales tax (includes value added tax and Goods and service tax)

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

## Q. Provisions and Contingent liabilities

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company 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 it in the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

## R. Cash and short-term deposits

Cash and short-term deposits in the consolidated balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash



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and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## S. Exceptional items

Exceptional items are those items that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information allows a better understanding of the underlying performance of the business in the year and facilitates more appropriate comparison with prior periods. Exceptional items are adjusted in arriving at profit before tax.

## 4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions about the reported amounts of assets and liabilities, and, income and expenses and accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### A. Critical accounting judgements

In the process of applying the Group's accounting policies, the management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### i) Determination of functional currency

The Management makes judgements in determining the functional currency based on economic substance of the transactions relevant to each entity in the Group. In concluding that Indian Rupees is the functional currency for the parent company, the management considered (i) the currency that mainly influences the sales prices for goods and services, the labour, material and other costs of providing goods and services, and (ii) the effect of the competitive forces and regulations of the country which mainly determine the sales prices of the goods and services. As no single currency was clearly dominant, the management also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained. The management has concluded that INR is the functional currency of the parent.

### B. Estimates and assumptions

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 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) Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group. Potential liabilities that are possible but not probable of crystalizing or cannot be quantified reliably are treated as contingent liabilities. Among other matters, such determination require involvement of legal and other subject matter experts. Depending on materiality, the Group may involve internal and/ or external experts to make such assessment. Contingent liabilities are disclosed in the notes but are not recognized. (refer note no 38)

#### ii) Fair value measurements of financial instruments

When the fair values of financial assets or financial liabilities recognised or disclosed in the financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. 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 consideration 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. See note 44 for further disclosures.

#### iii) Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount,

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which is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if no such transactions can be identified, an appropriate valuation model is used.

The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 46.

#### iv) Duty drawback

Income on duty draw-back is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. The Group claims draw-back of National Calamity Contingent duty (NCCD) on exports in line with duty drawback rules and recognizes the same as revenue. The claim by the Group, even though initially allowed has been disputed and withheld by the revenue authorities, however, based on legal advice, the Group is confident of recovery and continues to recognise the same {refer note 39 (A)}.

## 5. Changes in accounting policies and Standards issued but not yet effective

- i. With effect from April 1, 2018, Ind AS 115 Revenue from Contracts with Customers supersedes Ind AS 18 Revenue and related Appendices. Ind AS 115 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Group has adopted Ind AS 115 using the modified retrospective approach / cumulative catch-up transition method and hereby applied it to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. However, the effect on adoption of Ind AS 115 is immaterial, except additional presentation and disclosures in the financial statements.

The new standard 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 to which an entity expects to be

entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgments, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is primarily engaged in the business of refining of crude oil, marketing of petroleum products in domestic and overseas markets. Given below are the key aspects related to Ind AS 115 adoption and its transitional impact:

#### (a) Sale of goods – Timing

The Group's contracts with customers for the sale of petroleum products generally include one performance obligation. The Group has concluded that revenue from sale of petroleum products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the petroleum products. In most cases, this is aligned to timing of revenue recognition under the erstwhile Ind AS 18.

#### (b) Provisionally priced sales

Some of the Group's sales of petroleum products contain provisional pricing features which are currently considered to be embedded derivatives. Under Ind AS 18, revenue is recognised at the estimated fair value of the total consideration received or receivable when the control is transferred, which is generally on delivery of the petroleum products. This fair value is based on the estimated forward price that the Group expects to receive at the end of the provisional price period. The subsequent changes in fair value are recognised in the statement of profit or loss each period until final settlement and presented as part of 'Revenue from Operations.

Ind AS 115 will not change the assessment of the impact of these provisional pricing features. Ind AS 115 states that if a contract is partially within scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of Ind AS 115 and the Group will be required to account for these in accordance with Ind



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AS 109. While Ind AS 115 does not prohibit impact of provisional pricing features to be described as revenue, it does contain specific disclosure requirements for revenue from contracts with customers. Specifically, it requires the Group to disclose revenue recognised from contracts with customers separately from its other sources of revenue either in the statement of profit or loss or in the notes. Therefore, the Group needs to separately track impact of provisional pricing features separately to disclose these amounts separately from revenue related to contracts with customers.

The Group has estimated that the impact of provisional pricing features is not material and therefore not disclosed it separately.

## (c) Sale and purchase transactions

The Group has entered into contracts with customers for purchase as well as sale of petroleum products at different locations across India to meet their business requirements. Such sales and purchases are negotiated independently, priced based on the point of time when control of the asset is transferred to / from the customer, there is no minimum commitment to purchase or sale over a period of time and the settlement for purchases and sales are done on a gross basis. Considering those factors, the group has concluded that such contracts cannot be considered as non-monetary exchange of similar goods or services. Accordingly, the Group continues to recognise them as independent transaction of purchase and sale of goods.

### (d) Advance received from customers

In many cases, the Group receives advances from its customers. Long terms advances, if any, are interest bearing at market rate of interest. Upon the adoption of Ind AS 115, for short-term advances, the Group has used the practical expedient, whereby it will not separate financing coupon. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Therefore, the adoption of Ind AS 115 did not have any material impact on the timing and amount of revenue recognition.

## (e) Presentation and disclosure requirements

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. refer note 28 for the disclosure on disaggregated revenue.

Overall, the impact if the group would have continued to apply the erstwhile Ind AS 18 - Revenue instead of Ind AS 115 - Revenue from Contract with Customers would have been immaterial on the financial statements of the group for the period ended and as of March 31, 2019.

ii. In addition, the below amendments have also become effective for the Group from financial year beginning April 1, 2018. However, the management has evaluated and determined that the adoption of these amendments will not have any material impact on the financial statements since there are no such transactions or the Group's existing policies are aligned to these amendments:

- a. Amendment to Ind AS 12 Income Taxes – regarding recognition of deferred tax assets on unrealised losses
- b. Applying Appendix B of Ind AS 21 The Effects of Changes in Foreign Exchange Rates
- c. Amendment to Ind AS 28 Investments in Associates and Joint Ventures
- d. Amendment to Ind AS 40 Investment Property - regarding transfer of investment property
- e. Amendment to Ind AS 112 Disclosure of Interests in Other Entities – regarding disclosure requirements

## ii. Standards issued but not yet effective

### a. Ind AS 116 - Leases

The new lease standard requires lessees to recognize assets and liabilities for leases on their balance sheets. Lessees applying Ind AS 116 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be applicable from the financial year beginning on or after April 1, 2019. The Group has established an implementation team to implement Ind AS 116 related to lease accounting and it continues to evaluate the changes to accounting system and processes, and basis the evaluation done till date, the accounting of leasing arrangements are in respect of commercial and residential premises, retail outlets lands,

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use of branding activities and storage and handling facilities etc would be significantly impacted under new lease Standard. The Group is in progress of quantifying the impact and additional disclosures requirements that may be necessary.

## b. Other changes to Ind AS

In addition to Ind AS 116, the MCA has also notified the following changes to Ind AS 116 which are effective from financial year beginning 1 April 2019. The Group will adopt these changes from the date effective; however, the adoption of these changes is unlikely to have any impact on the financial statements:

- Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment
- Amendments to Ind AS 109: Prepayment Features with Negative Compensation
- Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement
- Amendments to Ind AS 28: Long-term interests in associates and joint ventures
- Annual improvement to Ind AS (2018): These improvements include:
  - ✓ Amendments to Ind AS 103: Party to a Joint Arrangements obtains control of a business that is a Joint Operation
  - ✓ Amendments to Ind AS 111: Joint Arrangements
  - ✓ Amendments to Ind AS 12: Income Taxes
  - ✓ Amendments to Ind AS 23: Borrowing Costs

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## 6. Property, Plant and Equipment, Goodwill, Other Intangible assets and Capital-Work-In-Progress

| Description of the assets  | Gross block (I)      |   |                      |                      |                      | Depreciation / amortisation (II) |                 |              | Net block (III) = (I - II) |
|--|----------------------|---|----------------------|----------------------|----------------------|----------------------------------|-----------------|--------------|----------------------------|
|  | As at April 01, 2017 | Addition consequent to acquisition of subsidiary* | Additions            | Deductions*          | As at March 31, 2018 | As at April 01, 2017             | During the year | Deductions*  |                            |
|  | As at April 01, 2017 | As at March 31, 2018                              | As at March 31, 2018 | As at March 31, 2018 | As at March 31, 2018 | As at April 01, 2017             | During the year | Deductions*  |                            |
| <b>A) Property, Plant &amp; Equipment - Owned</b>                |                      |   |                      |                      |                      |                                  |                 |              |                            |
| Land (Freehold)  | 52,788               | 19  | 8                    | -                    | 52,815               | -                                | -               | -            | 52,815                     |
| Buildings  | 8,520                | 7,366   | 207                  | -                    | 16,093               | 2,373                            | 679             | -            | 13,041                     |
| Plant and machinery  | 350,765              | 83,651  | 1,858                | 56                   | 436,218              | 30,648                           | 15,990          | 18           | 389,598                    |
| Furniture and fixtures   | 166                  | 13  | 10                   | 5                    | 184                  | 97                               | 21              | 4            | 70                         |
| Office equipments  | 756                  | 5   | 120                  | 119                  | 762                  | 460                              | 105             | 89           | 286                        |
| Vehicles   | 105                  | 1   | 26                   | 11                   | 121                  | 80                               | 7               | 10           | 44                         |
| Aircraft   | -                    | -   | -                    | -                    | -                    | -                                | -               | -            | -                          |
| <b>Total (I)</b>   | <b>413,100</b>       | <b>91,055</b>                                     | <b>2,229</b>         | <b>191</b>           | <b>506,193</b>       | <b>33,658</b>                    | <b>16,802</b>   | <b>121</b>   | <b>455,854</b>             |
| <b>Property, Plant &amp; Equipment obtained on finance lease</b> |                      |   |                      |                      |                      |                                  |                 |              |                            |
| Land   | 2                    | -   | -                    | -                    | 2                    | 2                                | -               | -            | 2                          |
| Buildings  | 349                  | -   | -                    | 349                  | -                    | 22                               | 2               | 24           | -                          |
| Plant and machinery  | 11,318               | -   | -                    | 11,295               | 24                   | 776                              | 61              | 814          | 1                          |
| <b>Total (II)</b>  | <b>11,669</b>        | <b>-</b>  | <b>-</b>             | <b>11,644</b>        | <b>26</b>            | <b>800</b>                       | <b>63</b>       | <b>838</b>   | <b>1</b>                   |
| <b>Total Property, Plant and Equipment (I+II)</b>                | <b>424,769</b>       | <b>91,055</b>                                     | <b>2,229</b>         | <b>11,835</b>        | <b>506,219</b>       | <b>34,458</b>                    | <b>16,865</b>   | <b>959</b>   | <b>455,855</b>             |
| <b>B) Capital Work In Progress</b>                               |                      |   |                      |                      |                      |                                  |                 |              |                            |
| Capital work-in-progress   |                      |   |                      |                      |                      |                                  |                 |              | 6,780                      |
| <b>C) Goodwill</b>   |                      |   |                      |                      |                      |                                  |                 |              |                            |
| Goodwill   | 111                  | 108,073   | -                    | -                    | 108,184              | -                                | -               | -            | 108,184                    |
| <b>D) Other intangible assets</b>                                |                      |   |                      |                      |                      |                                  |                 |              |                            |
| Softwares & licenses   | 923                  | 1   | 203                  | 69                   | 1,058                | 640                              | 146             | 58           | 330                        |
| <b>Total (A+B+C+D)</b>   | <b>425,803</b>       | <b>199,129</b>                                    | <b>2,432</b>         | <b>11,904</b>        | <b>615,461</b>       | <b>35,098</b>                    | <b>17,011</b>   | <b>1,017</b> | <b>571,149</b>             |

\* Includes assets given / taken on lease to / from entities, on which control was acquired during the year and hence lease accounting stands eliminated.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

| Description of the assets  | Gross block (I)         |               |              |                         | Depreciation / amortisation (II) |                 |              |                         | Net block<br>(III) = (I - II)<br>As at<br>March 31, 2019 |
|--|-------------------------|---------------|--------------|-------------------------|----------------------------------|-----------------|--------------|-------------------------|--|
|  | As at<br>April 01, 2018 | Additions     | Deductions   | As at<br>March 31, 2019 | As at<br>April 01, 2018          | During the year | Deductions   | As at<br>March 31, 2019 |  |
|  |                         |               |              |                         |                                  |                 |              |                         |  |
| <b>A) Property, Plant &amp; Equipment - Owned</b>                |                         |               |              |                         |                                  |                 |              |                         |  |
| Land (Freehold)  | 52,815                  | 3             | -            | 52,818                  | -                                | -               | -            | -                       | 52,818   |
| Buildings  | 16,093                  | 849           | 1            | 16,941                  | 3,052                            | 749             | -            | 3,801                   | 13,140   |
| Plant and machinery  | 436,218                 | 19,256        | 7,708        | 447,766                 | 46,620                           | 17,338          | 7,698        | 56,260                  | 391,506  |
| Furniture and fixtures   | 184                     | 89            | 2            | 271                     | 114                              | 25              | 1            | 138                     | 133  |
| Office equipments  | 762                     | 189           | 6            | 945                     | 476                              | 114             | 5            | 585                     | 360  |
| Vehicles   | 121                     | 8             | 9            | 120                     | 77                               | 9               | 8            | 78                      | 42   |
| <b>Total (I)</b>   | <b>506,193</b>          | <b>20,394</b> | <b>7,726</b> | <b>518,861</b>          | <b>50,339</b>                    | <b>18,235</b>   | <b>7,712</b> | <b>60,862</b>           | <b>457,999</b>   |
| <b>Property, Plant &amp; Equipment obtained on finance lease</b> |                         |               |              |                         |                                  |                 |              |                         |  |
| Land   | 2                       | -             | 2            | -                       | 2                                | -               | 2            | -                       | -  |
| Plant and machinery  | 24                      | -             | 24           | -                       | 23                               | -               | 23           | -                       | -  |
| <b>Total (II)</b>  | <b>26</b>               | <b>-</b>      | <b>26</b>    | <b>-</b>                | <b>25</b>                        | <b>-</b>        | <b>25</b>    | <b>-</b>                | <b>-</b>   |
| <b>Total Property, Plant and Equipment (I+II)</b>                | <b>506,219</b>          | <b>20,394</b> | <b>7,752</b> | <b>518,861</b>          | <b>50,364</b>                    | <b>18,235</b>   | <b>7,737</b> | <b>60,862</b>           | <b>457,999</b>   |
| <b>B) Capital Work In Progress</b>                               |                         |               |              |                         |                                  |                 |              |                         |  |
| Capital work-in-progress   |                         |               |              |                         |                                  |                 |              |                         | 4,823  |
| <b>C) Goodwill</b>   |                         |               |              |                         |                                  |                 |              |                         |  |
| Goodwill   | 108,184                 | -             | -            | 108,184                 | -                                | -               | -            | -                       | 108,184  |
| <b>D) Other intangible assets</b>                                |                         |               |              |                         |                                  |                 |              |                         |  |
| Softwares & licenses   | 1,058                   | 67            | -            | 1,125                   | 728                              | 131             | -            | 859                     | 266  |
| <b>Total (A+B+C+D)</b>   | <b>615,461</b>          | <b>20,461</b> | <b>7,752</b> | <b>628,170</b>          | <b>51,092</b>                    | <b>18,366</b>   | <b>7,737</b> | <b>61,721</b>           | <b>571,272</b>   |

For details of assets pledged as security, refer note 19 and 23

**Notes:**

- Land and building having carrying value aggregating to ₹2,676 million (Previous year ₹2,676 million) has been pledged for a loan taken by a third party. The Group is in the process of discussion with the lender for release of the pledge.
- Additions to plant and machinery include exchange loss on long-term foreign currency borrowing taken to finance property plant and equipment (refer note 3(K)), amounting to ₹1,774 million (Previous year loss of ₹54 million) and borrowing cost of ₹176 million (Previous year ₹Nil).
- In line with its major maintenance practices, the group completed major maintenance of its refinery and all other plant and machinery during turnaround. The Group incurred total cost of ₹9,728 million (including raw materials consumed of ₹1,202 million, employee benefits expense of ₹242 million and others expenses of ₹3,387 million) on the major maintenance activity which have been capitalised to the plant and machinery, with corresponding write-off of the net carrying value of the last turnaround.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 7. Investments (Non Current) (Unquoted) (₹ in million)

| Particulars   | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|---|-------------------------|-------------------------|
| <b>Other Investments - At FVTPL</b>   |                         |                         |
| <b>Investments in equity shares (fully paid-up)</b>   |                         |                         |
| 13,000,000 (Previous year 13,000,000) equity shares of ₹10 each of Petronet VK Limited*         | -                       | -                       |
| 1,584,000 (Previous year 1,584,000) equity shares of ₹10 each of Petronet CI Limited * @        | -                       | -                       |
| 10,000,000 (Previous year 10,000,000) equity shares of ₹0.10 each of Petronet India Limited * @ | -                       | -                       |
| <b>Total</b>  | -                       | -                       |

| Particulars                              | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| Aggregate amount of unquoted investments | -                       | -                       |
| <b>Total</b>                             | -                       | -                       |

\* Investments are fair valued at Zero.

@ companies are under liquidation

For details of investments pledged as security against borrowings, refer note 19 and 23.

## 8. Other Financial Assets (Non Current) (Unsecured and considered good, unless otherwise stated) (₹ in million)

| Particulars  | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| Security deposits  | 306                     | 279                     |
| <b>(A)</b>   | 306                     | 279                     |
| <b>Other receivables</b>   |                         |                         |
| -Export Incentive Receivables {refer note 39(A)}                   | 4,163                   | 4,091                   |
| -From others {refer note 39(B)}                                    |                         |                         |
| - Considered good  | 925                     | 1,707                   |
| - significant increase in credit risk                              | 159                     | 199                     |
| Less: Expected credit loss {refer note 44(C)(v)}                   | (159)                   | (199)                   |
| <b>(B)</b>   | 5,088                   | 5,798                   |
| Bank Deposits with remaining maturity of more than twelve months # | 132                     | 2                       |
| <b>(C)</b>   | 132                     | 2                       |
| Interest accrued on bank deposits                                  | 0                       | 0                       |
| <b>(D)</b>   | 0                       | 0                       |
| Derivative Assets  | 74                      | -                       |
| <b>(E)</b>   | 74                      | -                       |
| <b>Total (A+B+C+D+E)</b>   | <b>5,600</b>            | <b>6,079</b>            |

# mainly placed as margin for guarantees obtained from banks and to earn interest at the respective short-term deposit rates.

For details of assets pledged as security against borrowings, refer note 19 and 23.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 9. Other non-current assets

(₹in million)

| Particulars       | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|-------------------|-------------------------|-------------------------|
| Prepaid expenses  | 647                     | 588                     |
| Capital advances  | 63                      | 211                     |
| Claim receivables | 2,492                   | 1,932                   |
| <b>Total</b>      | <b>3,202</b>            | <b>2,731</b>            |

For details of assets pledged as security against borrowings, refer note 19 and 23.

## 10. Inventories

(₹in million)

| Particulars   | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|---|-------------------------|-------------------------|
| Raw materials {including in transit ₹31,447 million (Previous year ₹13,615 million)}  | 55,458                  | 36,603                  |
| Work-in-progress  | 18,737                  | 17,770                  |
| Finished goods {including in transit ₹658 million (Previous year ₹1,513 million)}     | 14,472                  | 13,013                  |
| Trading goods   | -                       | 1                       |
| Stores and spare parts {including in transit ₹21 million (Previous year ₹35 million)} | 4,121                   | 3,956                   |
| Other consumables {including in transit ₹701 million (Previous year Nil)}             | 1,762                   | 1,969                   |
| <b>Total</b>  | <b>94,550</b>           | <b>73,312</b>           |

For details of inventories pledged as security against borrowings, refer note 19 and 23. Refer note 3(G) for basis of valuation.

## 11. Investments (Current)

(₹in million)

| Particulars                             | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|---|-------------------------|-------------------------|
| Investments in mutual funds - At FVTPL* | 1,001                   | 13,021                  |
| <b>Total</b>                            | <b>1,001</b>            | <b>13,021</b>           |

\*Aggregate amount of quoted investments and market value thereof.  
For the Group's exposure to credit risks refer note 44(C)(v).

## 12. Trade receivables

(₹in million)

| Particulars                                      | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| Trade Receivables considered good - Unsecured*   | 36,891                  | 29,272                  |
| Trade Receivables - credit impaired              | 8                       | 8                       |
|  | <b>36,899</b>           | <b>29,280</b>           |
| Less: Expected credit loss {refer note 44(C)(v)} | (8)                     | (8)                     |
| <b>Total</b>                                     | <b>36,891</b>           | <b>29,272</b>           |

\* Includes ₹2,266 million (Previous year ₹1,371 million) backed by letters of credit.

For the Group's exposure to credit and currency risks, and loss allowances related to trade receivables, refer note 44.

For amounts due from related parties, refer note 49.

For details of assets pledged as security against borrowings, refer note 19 and 23.

For details of bills discounting not meeting derecognition criteria, refer note 23

The Group has discounted export bill receivables amounting to ₹4,508 million (As at March 31, 2018 Nil), on non-recourse basis. The management has assessed that the Group does not have any continuing involvement with the said bills discounted, except in an unlikely scenario of dispute arising with regard to the existence of the receivable discounted. Accordingly, the discounting meets derecognition criteria and the money received has been netted off from the trade receivables discounted.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**13. Cash and cash equivalents**

(₹in million)

| Particulars  | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| <b>Balances with banks in:</b>                         |                         |                         |
| -Current accounts                                      | 3,449                   | 12,267                  |
| -Exchange earners' foreign currency (EEFC) accounts    | 1,446                   | 10,793                  |
| -Deposits with original maturities less than 3 months* | 2,155                   | 1,502                   |
| <b>Cheques on hand</b>                                 | 8                       | 31                      |
| <b>Cash on hand</b>                                    | 1                       | 0                       |
| <b>Total</b>   | <b>7,059</b>            | <b>24,593</b>           |

\*Short-term deposits are made with banks for varying periods of up to three months depending on the immediate cash requirements of the Group and to earn interest at the respective short-term deposit rates.

**14. Bank balances other than Cash and cash equivalents**

(₹in million)

| Particulars  | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| Earmarked bank balances (debenture / unclaimed debenture interest) | 9                       | 9                       |
| Margin deposits*   | 6,274                   | 10,190                  |
| Other deposits   | 0                       | 1                       |
| <b>Total</b>   | <b>6,283</b>            | <b>10,200</b>           |

\* Mainly placed as margin for letters of credit facilities, guarantees and short term borrowings obtained from banks and to earn interest at the respective bank deposit rates.

**15. Other Financial Assets (Current) (Unsecured and considered good, unless otherwise stated)**

(₹in million)

| Particulars                                      | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| <b>Security deposits</b> (A)                     | 216                     | 226                     |
| <b>Other receivables</b>                         |                         |                         |
| - Considered good                                | 2,587                   | 1,617                   |
| - significant increase in credit risk            | 274                     | 44                      |
| Less: Expected credit loss {refer note 44(C)(v)} | (274)                   | (44)                    |
| (B)  | 2,587                   | 1,617                   |
| Interest accrued on bank deposits (C)            | 157                     | 220                     |
| Derivative Assets (D)                            | 2,722                   | 339                     |
| <b>Total (A+B+C+D)</b>                           | <b>5,682</b>            | <b>2,402</b>            |

For details of assets pledged as security against borrowings, refer note 19 and 23.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 16. Other Current assets (Unsecured and considered good, unless otherwise stated)

(₹ in million)

| Particulars   | As at              |                |
|---|--------------------|----------------|
|   | March 31, 2019     | March 31, 2018 |
| Advances recoverable in cash or in kind or for value to be received | 854                | 919            |
| Prepaid expenses  | 4,675              | 3,903          |
| Balances with government authorities                                | 351                | 877            |
|   | <b>(A)</b>         | <b>5,880</b>   |
| <b>Other receivables</b>  |                    |                |
| <b>-Claims / other receivables</b>                                  |                    |                |
| - Considered good   | 50                 | 552            |
| - Considered doubtful   | -                  | 148            |
| Less: Provision for doubtful debt                                   | -                  | (148)          |
|   | <b>(B)</b>         | <b>50</b>      |
|   | <b>Total (A+B)</b> | <b>5,930</b>   |
|   |                    | <b>6,251</b>   |

For details of assets pledged as security against borrowings, refer note 19 and 23.

## 17. Equity Share capital

(₹ in million)

| Particulars  | As at March 31, 2019 |               | As at March 31, 2018 |               |
|--|----------------------|---------------|----------------------|---------------|
|  | Number of shares     | Amount        | Number of shares     | Amount        |
| <b>Authorised*</b>                                 |                      |               |                      |               |
| Equity shares of ₹10 each                          | 8,000,680,000        | 80,007        | 5,000,000,000        | 50,000        |
| Preference Shares of ₹10 each                      | 1,000,000,000        | 10,000        | -                    | -             |
| <b>Issued and subscribed</b>                       |                      |               |                      |               |
| Equity shares of ₹10 each                          | 1,552,487,155        | 15,525        | 1,552,487,155        | 15,525        |
| <b>Paid up</b>                                     |                      |               |                      |               |
| Equity shares of ₹10 each fully paid up            | 1,490,561,155        | 14,906        | 1,490,561,155        | 14,906        |
| Add : Forfeited shares - Equity shares of ₹10 each | 61,926,000           | 166           | 61,926,000           | 166           |
|  |                      | <b>15,072</b> |                      | <b>15,072</b> |

\* Pursuant to the Scheme which became effective post filing of orders approving Scheme of Amalgamation of Vadinar Power Company Limited (VPCL) and Nayara Energy Properties Limited (NEPL) with the Registrar of Companies, on November 30, 2018, the authorized share capital of VPCL and NEPL aggregating to ₹40,007 million was combined with the authorized share capital of the Company resulting in increase in authorised share capital of the Company from ₹50,000 million (divided into 5,000,000,000 equity shares of ₹10 each) to ₹90,007 million (divided into 8,000,680,000 equity shares of ₹10 each and 1,000,000,000 preference shares of ₹10 each).

### a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year :

| Particulars                                     | As at March 31, 2019 |        | As at March 31, 2018 |        |
|---|----------------------|--------|----------------------|--------|
|   | Number of shares     | Amount | Number of shares     | Amount |
| Shares outstanding at the beginning of the year | 1,490,561,155        | 14,906 | 1,490,561,155        | 14,906 |
| Add : Equity shares issued                      | -                    | -      | -                    | -      |
| Shares outstanding at the end of the year       | 1,490,561,155        | 14,906 | 1,490,561,155        | 14,906 |

The above includes 951,463,854 (Previous year 951,463,854) underlying equity shares represented by 6,218,718 (Previous year 6,218,718) outstanding global depository shares (GDS). Each GDS represents 153 underlying equity shares.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**b) The rights, preferences and restrictions attached to each class of shares including restrictions on the distribution of dividends and the repayment of capital:**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of an equity share is entitled to one vote per share.

The dividend proposed by the Board of Directors, if any, is 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 the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Holders of GDS are entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of equity shares, less the fees and expenses payable under the Deposit Agreement and any Indian tax applicable to such dividends. The holders of GDS are entitled to instruct the Depository to exercise the voting rights, arising under the equity shares represented by the GDS at general meetings and through postal ballot. In the event of liquidation the rights of the GDS holders are equivalent to rights of the equity shareholders.

**c) Details of shareholders holding more than 5% shares (including GDS) in the Company:**

| Particulars   | As at March 31, 2019 |             | As at March 31, 2018 |             |
|---|----------------------|-------------|----------------------|-------------|
|   | Number of shares     | % of shares | Number of shares     | % of shares |
| 3,109,359 (3,109,359 as at March 31, 2018) GDS held by Kesani Enterprise Company Ltd  | 475,731,927          | 31.92%      | 475,731,927          | 31.92%      |
| 3,109,359 (3,109,359 as at March 31, 2018) GDS held by Rosneft Singapore Pte. Limited (Formerly known as Petrol Complex Pte. Limited) | 475,731,927          | 31.92%      | 475,731,927          | 31.92%      |
| Equity shares held by Kesani Enterprise Company Ltd   | 256,594,520          | 17.21%      | 256,594,520          | 17.21%      |
| Equity shares held by Rosneft Singapore Pte. Limited (Formerly known as Petrol Complex Pte. Limited)                                  | 256,594,519          | 17.21%      | 256,594,519          | 17.21%      |

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

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 18. Other Equity

(₹in million)

| Particulars   | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|---|-------------------------|-------------------------|
| General reserve   | 596                     | 594                     |
| Retained Earnings   | 96,089                  | 89,389                  |
| <b>Other Comprehensive Income:</b>                            |                         |                         |
| Cash flow hedge reserve                                       | (417)                   | (1,167)                 |
| Foreign currency monetary item translation difference account | (230)                   | (301)                   |
| <b>Other Reserves:</b>  |                         |                         |
| Capital reserve   | 409                     | 409                     |
| Securities premium  | 78,014                  | 78,014                  |
| Debenture redemption reserve                                  | -                       | 2                       |
| Foreign currency Translation Reserve                          | (0)                     | (1)                     |
| <b>Total</b>  | <b>174,461</b>          | <b>166,939</b>          |

**General reserve:** Represents the reserve created mainly on account of amount transfer from debenture redemption reserve on redemption of debentures. It can be used for distribution to equity shareholders only after complying with restrictions contained in The Companies (Declaration and Payment of Dividend) Rules, 2014.

**Retained earnings:** Net earnings, retained by the Group to be reinvested in its core business. It also includes fair valuation of property, plant and equipment and other assets done by the Group on transition to Ind AS and used as deemed cost of the concerned assets. Whether the Company can use these amount for distribution depend on specific requirements of the Companies Act, 2013 (as amended) and rules framed thereunder. Particularly, unrealised fair value gains cannot be used for dividend distribution.

**Cash flow hedge reserve:** Changes in the fair value of derivatives/ hedging instruments that are designated and qualify as cash flow hedges are deferred in the "Cash Flow Hedge Reserve". The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit and loss. Amounts deferred in the Cash Flow Hedge Reserve Account are recycled in the statement of profit and loss in the periods when the hedged item is recognised and affects the statement of profit and loss, in the same line as the hedged item.

**Foreign currency monetary item translation difference account:** Represents exchange differences arising on reporting of long-term foreign currency monetary items that are accumulated and amortised over the balance period of such long-term liability by recognition as income or expense in each such periods.

**Capital reserve:** Created reserve can be utilised for issuance of bonus shares.

**Securities premium:** The amount in the account represents the additional amount shareholders paid for their issued shares that was in excess of the par value of those shares. The same can be utilised for the items specified under section 52 of the Companies Act, 2013.

**Debenture redemption reserve:** The Companies Act requires companies that issue debentures to create a debenture redemption reserve from annual profits until such debentures are redeemed. The amounts credited to the debenture redemption reserve may not be utilised except to redeem debentures. On redemption, the same amount can be transferred to either retained earnings or general reserve.

**Foreign currency translation reserve:** Represents exchange differences arising on translation of the foreign operations. The cumulative amount is reclassified to profit or loss when the foreign operation is disposed-off.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

| 19. Borrowings <span style="float: right;">(₹in million)</span>                                 |                         |                         |
|---|-------------------------|-------------------------|
| Particulars   | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
| <b>Secured Borrowings - At amortised cost</b>   |                         |                         |
| <b>Debentures</b>   |                         |                         |
| Non convertible debentures  | 23,860                  | 7                       |
| <b>Term loans*</b>  |                         |                         |
| From banks  | 102,835                 | 128,288                 |
| Current maturities of long term debt included under other financial liabilities (refer note 25) | (8,429)                 | (15,018)                |
| <b>Total</b>  | <b>118,266</b>          | <b>113,277</b>          |

\* Refer note 44 (C)(ii) for borrowings outstanding in foreign currencies

| (A) Security for term loans and funded interest facilities from banks and debentures <span style="float: right;">(₹in million)</span>  |                         |                         |
|--|-------------------------|-------------------------|
| Particulars  | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
| i) Term loans, funded interest facilities and debentures are secured by first charge, ranking pari passu with other term lenders on all present and future immovable and movable assets (except power plant assets) other than current assets and over the rights, title and interests under project documents and over all licenses, permits, approvals, assignments, concessions and consents of project, security interest on rights, title and interests in trust and retention accounts and all sub accounts created there under, insurance policies and second ranking pari-passu charge on current assets with other term lenders. Outstanding amount as on 31 March 2018 has been paid during the current year | -                       | 6,950                   |
| ii) ECB loan is secured by first charge, ranking pari passu with other term lenders on all present and future immovable assets (except power plant assets), all present and future movable assets, security interest on the rights, title and interest under project documents, insurance policies and second charge pari-passu with other term lenders on the current assets.   | 23,166                  | 27,264                  |
| iii) Rupee and USD loan availed from various banks are secured by first charge, ranking pari-passu with other term lenders on the fixed assets (movable and immovable), both present and future of the Group (except power plant assets), Second charge, pari-passu with other term lenders on the current assets of the Group, first charge by way of assignment or security interest over all rights, titles, insurance and interest in all project documents to which the Group is a party, first charge on DSRA/margin as and when created.  | 66,006                  | 79,562                  |
| iv) Non convertible debentures are secured by first charge, ranking pari-passu with other lenders on the fixed assets (movable and immovable except power plant assets), both present and future of the Group in relation to Project, Second charge, pari-passu with other term lenders on the current assets of the Group, first charge by way of assignment or security interest over insurance policy.  | 23,860                  | -                       |
| v) Rupee Term Loans along with interest are secured by first pari passu charge over both movable and immovable fixed assets, current assets of power plant of the Group, both present and future, Second charge, pari-passu with other term lenders on the current assets of the Group.  | 13,663                  | 14,519                  |
| <b>Total</b>   | <b>126,695</b>          | <b>128,295</b>          |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**(B) Repayment and other terms:**

(₹ in million)

| Particulars  | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| i) Outstanding debentures consists of Nil (Previous year 5,58,600) – Secured redeemable non – convertible debentures (NCDs) of ₹ 105/- each. These amounts carry interest ranging from fixed rate of 12.50% p.a to a prime lending rate/ base rate of respective banks plus margin and is repayable from December 2014 to June 2018. Outstanding amount as on 31 March 2018 has been repaid during the current year  | -                       | 7                       |
| ii) The Interest rates for the loans covered under the Common Loan Agreement (the CLA) with Banks is based on their prime lending rate / base rate / 1 month LIBOR plus margin (margin ranges from 2.12% p.a. to 3.00% p.a.) with different quarterly/ annual repayment unequal instalments starting from December 2009 to March 2026. Outstanding amount as on 31 March 2018 has been prepaid during the current year   | -                       | 239                     |
| iii) The Interest rates for the loans covered under the Common Loan Agreement (the CLA) with Banks is repayable in unequal instalments from March 2021 to March 2026 and carries interest rate of 4.98%. The Company has an option, subject to consent of the lenders, to prepay these facilities as per agreed terms at a reduced amount at any point of time during its term. Outstanding amount as on 31 March 2018 has been prepaid during the current year  | -                       | 6,235                   |
| iv) The Interest rates for the loans covered under the Common Loan Agreement (the CLA) with Banks is repayable in 40 equal quarterly instalments beginning June 30, 2015 and carried interest rate of 4.98%. The Company has an option, subject to consent of the lenders, to prepay this facility as per agreed terms at a reduced amount at any point of time during its term. Outstanding amount as on 31 March 2018 has been prepaid during the current year | -                       | 469                     |
| v) ECB Loans carry interest rate of 3 months / 6 months LIBOR + margin ranging from 3.60% p.a. to 5.00% p.a. are repayable in unequal instalments starting from March 2015 and ending in March 2024.   | 23,166                  | 27,264                  |
| vi) Rupee loan and USD Loan from various lenders carry interest of respective lenders rate of 3/6 month MCLR/ 3 months USD LIBOR + spread ranging from 40 bps to 360 bps and is repayable in unequal instalments starting from March 2018 and ending to March 2038.  | 66,006                  | 79,562                  |
| vii) The rupee term loan facility from banks carry interest rate at bank's 3M MCLR + 0.90% is repayable in 51 structured quarterly instalments beginning December 31, 2017 and ending to June 2030.  | 13,663                  | 14,519                  |
| viii) Non convertible debentures carry fixed interest of 9.50% p.a. is repayable in a single bullet in July 2021.  | 23,860                  | -                       |
| <b>Total</b>   | <b>126,695</b>          | <b>128,295</b>          |

(C) In March 2017, the Company and its subsidiaries Vadinar Oil Terminal Limited and Vadinar Power Company Limited (VPCL) (now merged with the Company) applied to one of its lenders to prepay the entire outstanding loans along with applicable interest and prepayment penalty. The said lender did not respond to the said request and subsequently in August 2017, the Company, VOTL and VPCL went ahead and prepaid all their dues to the said lender aggregating to ₹8,282 million (including interest and prepayment penalty of ₹152 million). The Company has issued legal notice and filed writ petition in Hon'ble High Court of Bombay against the lender, which is under consideration. During the year, Mr. R. Sudarsan, Nominee of the lender on the Board of Company has resigned.

The Company has obtained legal advice on the current situation, as per which no additional liability should devolve on the Group with respect to its borrowings from the said lender and accordingly, the Group has not recorded any liability with respect to the same.

**20. Other financial liabilities (Non-Current)**

(₹ in million)

| Particulars  | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|--|-------------------------|-------------------------|
| Security deposits  | 64                      | 0                       |
| Derivative Liabilities   | 1,296                   | 424                     |
| Advances received from customers - designated as cashflow hedge* | 68,797                  | 69,197                  |
| <b>Total</b>   | <b>70,157</b>           | <b>69,621</b>           |

\*Based on the substance of its obligation, the Company has classified prepayment received under the contracts in the nature of financial instruments as "other financial liability". To maintain consistency, the current and non current amount of ₹72,139 million (USD 1,109 million) for the comparative period has also been reclassified.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**21. Taxation**

(₹in million)

| Particulars                    | As at March 31, 2019 | As at March 31, 2018 |
|--------------------------------|----------------------|----------------------|
| Deferred tax liabilities (Net) | 80,706               | 75,919               |
| <b>Total</b>                   | <b>80,706</b>        | <b>75,919</b>        |

**(A) Income tax expense / (benefit)**

| Particulars   | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|---|--------------------------------------|--------------------------------------|
| Current tax (A)   | 967                                  | 1,651                                |
| Deferred tax (B)  | 2,692                                | 2,360                                |
| <b>Total tax expense charged to statement of profit and loss (A+B)</b>          | <b>3,659</b>                         | <b>4,011</b>                         |
| <b>Deferred tax charged / (reversed) to other comprehensive income / (loss)</b> | <b>393</b>                           | <b>(258)</b>                         |

**(B) The income tax expenses for the year can be reconciled to the accounting profit as follows:**

| Particulars  | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|--|--------------------------------------|--------------------------------------|
| <b>Profit before tax (net of loss from Discontinued Operations) for the year</b> | <b>10,544</b>                        | <b>9,781</b>                         |
| Statutory tax rate   | 34.944%                              | 34.944%                              |
| <b>Expected income tax expense at statutory rates</b>                            | <b>3,684</b>                         | <b>3,418</b>                         |
| <b>Items giving rise to difference in tax</b>                                    |                                      |                                      |
| Deferred tax asset not recognised  | -                                    | 244                                  |
| Effect of change in indexed cost of land   | (243)                                | (206)                                |
| Effect of change in Statutory tax rate   | -                                    | 650                                  |
| Others   | 218                                  | (95)                                 |
| <b>Total Income tax expense</b>  | <b>3,659</b>                         | <b>4,011</b>                         |
| <b>Effective tax rate</b>  | <b>34.702%</b>                       | <b>41.008%</b>                       |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

(C) Composition of deferred tax (assets) / liabilities:

| Deferred tax balance in relation to         | As at<br>March 31, 2018* | Recognised<br>through profit<br>and loss | Recognised<br>in other<br>comprehensive<br>income | Impact on<br>account of<br>merger (refer<br>note E below) | As at<br>March 31, 2019 |
|---|--------------------------|--|---|---|-------------------------|
| Difference in Property, plant and equipment | 105,890                  | 4,672                                    | -   | -   | 110,562                 |
| Carried forward unabsorbed depreciation     | (22,130)                 | (3,267)                                  | -   | -   | (25,397)                |
| Carried forward Business Loss               | -                        | (512)                                    | -   | -   | (512)                   |
| Effect of mark to market accounting         | (35)                     | (577)                                    | 393   | -   | (219)                   |
| Others                                      | (3,946)                  | 3,343                                    | -   | -   | (604)                   |
| <b>Total (A)</b>                            | <b>79,779</b>            | <b>3,659</b>                             | <b>393</b>  | <b>-</b>  | <b>83,830</b>           |
| <b>MAT credit entitlement (Total B)</b>     | <b>(3,860)</b>           | <b>(967)</b>                             | <b>-</b>  | <b>1,703</b>  | <b>(3,124)</b>          |
| <b>Total (A+B)</b>                          | <b>75,919</b>            | <b>2,692</b>                             | <b>393</b>  | <b>1,703</b>  | <b>80,706</b>           |

| Deferred tax balance in relation to         | As at<br>March 31, 2017* | Recognised<br>through profit<br>and loss | Recognised<br>in other<br>comprehensive<br>income | Impact on<br>account of<br>merger | As at<br>March 31, 2018 |
|---|--------------------------|--|---|-----------------------------------|-------------------------|
| Difference in Property, plant and equipment | 105,033                  | 857                                      | -   | -                                 | 105,890                 |
| Carried forward unabsorbed depreciation     | (17,647)                 | (4,483)                                  | -   | -                                 | (22,130)                |
| Effect of mark to market accounting         | (769)                    | 992                                      | (258)   | -                                 | (35)                    |
| Others                                      | (10,591)                 | 6,645                                    | -   | -                                 | (3,946)                 |
| <b>Total (A)</b>                            | <b>76,026</b>            | <b>4,011</b>                             | <b>(258)</b>                                      | <b>-</b>                          | <b>79,779</b>           |
| <b>MAT credit entitlement (Total B)</b>     | <b>(2,209)</b>           | <b>(1,651)</b>                           | <b>-</b>  | <b>-</b>                          | <b>(3,860)</b>          |
| <b>Total (A+B)</b>                          | <b>73,817</b>            | <b>2,360</b>                             | <b>(258)</b>                                      | <b>-</b>                          | <b>75,919</b>           |

\* includes deferred tax liabilities of Vadinar Oil Terminal Ltd (VOTL) and Vadinar Power Company Ltd (VPCL), as on the date of their respective acquisition date, of ₹6,315 million and ₹3,807 million respectively.

(D) The Group has not recognised deferred tax assets of ₹7,923 million (March 31, 2018 ₹7,923 million) on carried forward short term capital losses in the absence of a reasonable certainty towards their utilisation. These losses can be carried forward upto March 31, 2026.

(E) Pursuant to the merger of the Company with its subsidiaries, Vadinar Power Company Limited and Nayara Energy Properties Limited, current tax liability for the year ended March 31, 2018 has reduced by ₹1,703 million with a corresponding increase in the deferred tax charge. The effect of the same has been accounted for in the current year.

22. Other Non Current Liabilities

(₹in million)

| Particulars                      | As at March 31,<br>2019 | As at March 31,<br>2018 |
|----------------------------------|-------------------------|-------------------------|
| Advances received from customers | 35,821                  | -                       |
| <b>Total</b>                     | <b>35,821</b>           | <b>-</b>                |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 23. Short term borrowings

(₹in million)

| Particulars                              | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| <b>Secured Borrowings</b>                |                      |                      |
| Buyers' credits and bills discounting* @ | 32,729               | 38,658               |
| Bank overdraft                           | 1,729                | 1                    |
| Short term loan from banks               | 14,971               | 21,891               |
| Working capital demand loan from bank    | 7,973                | 12,841               |
| <b>Total</b>                             | <b>57,402</b>        | <b>73,391</b>        |

### Security for short term borrowing:

(₹in million)

| Particulars   | As at March 31, 2019 | As at March 31, 2018 |
|---|----------------------|----------------------|
| a) Buyers' credits and bills discounting is Secured / to be secured by first charge on entire current assets of the Group (existing and future) on a pari passu basis among lenders, second charge on Property Plant and Equipment including both present and future (except fixed assets of power plants) on a pari passu with other lenders, and certain shares of a related party on a pari passu with other lenders. The loan carries an interest rate which is determined and fixed on date of availing of the loan which is presently between 2.88% p.a. to 8.40% p.a and are repayable within 6 months of being drawn  | 32,729               | 38,658               |
| b) Bank overdraft / cash credit from bank is secured by fixed deposits maintained with a bank and carries interest rate of 1% over fixed deposits rate and is repayable on demand   | 1,729                | 1                    |
| c) Short Term Loan of from bank is secured by first charge on entire current assets of the company (existing and future) on a pari passu basis among lenders; second charge on Property Plant and Equipment including both present and future (except fixed assets of power plants) on a pari passu with other lender, and certain shares of a related party on a pari passu with other lenders. The loan carries an interest rate of 3 months marginal cost of funds based lending rate (MCLR) plus spread of 0.60%p.a and 6 months marginal cost of funds based lending rate (MCLR) plus spread of 0.60% p.a i.e 8.95% to 9.40% and is repayable within six month of being drawn. | 14,971               | 21,891               |
| d) Working Capital Demand loan from bank is secured / to be secured by<br>i) first charge on all current assets both present and future including all receivables ranking pari passu basis among lenders, second charge by way of mortgage of immovable and movable properties, including revenues both present and future on pari passu with other lenders and certain shares of a related party on a pari passu with other lenders. These loans carry an interest rate based on 3 months marginal cost of funds based lending rate (MCLR) i.e 8.55% p.a. These loans are repayable on demand.   | 7,973                | 12,841               |
| <b>Total</b>  | <b>57,402</b>        | <b>73,391</b>        |

\* The Company has discounted trade receivable on full recourse basis. Accordingly, the monies received on this account are shown as borrowings as the trade receivable does not meet de-recognition criteria. The related trade receivables have been disclosed under note 12.

@ Refer note 44 for borrowings outstanding in foreign currencies

## 24. Trade Payables

(₹in million)

| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| Total outstanding dues of Micro and small enterprises                      | 24                   | 30                   |
| Total outstanding dues of creditors other than Micro and small enterprises | 92,687               | 170,979              |
| <b>Total</b>   | <b>92,711</b>        | <b>171,009</b>       |

Trade payables are non-interest bearing and are normally settled within 0-90 days

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 25. Other financial liabilities - Current

(₹in million)

| Particulars   | As at March 31, 2019 | As at March 31, 2018 |
|---|----------------------|----------------------|
| Current maturities of long term debt (refer note 19)  | 8,429                | 15,018               |
| Interest accrued but not due on borrowings  | 1,779                | 202                  |
| Capital creditors   | 1,184                | 788                  |
| Security deposits   | 208                  | 222                  |
| Unclaimed debenture interest and principal (secured) #                                      | 10                   | 10                   |
| Advances received from customers - designated as cashflow hedge (refer note 20 and note 49) | 55,424               | 2,942                |
| Other liabilities   | 3,167                | 716                  |
| Derivative Liabilities  | 1,819                | 1,424                |
| <b>Total</b>  | <b>72,020</b>        | <b>21,322</b>        |

# There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at balance sheet date.

## 26. Other Current liabilities

(₹in million)

| Particulars                        | As at March 31, 2019 | As at March 31, 2018 |
|------------------------------------|----------------------|----------------------|
| Statutory dues@                    | 9,855                | 10,027               |
| Advances received from customers   | 15,883               | 22,380               |
| Export Obligation Deferred Income* | 303                  | 1,599                |
| Other liabilities                  | -                    | 22                   |
| <b>Total</b>                       | <b>26,041</b>        | <b>34,028</b>        |

\*In respect of unfulfilled export obligation of ₹256,993 million (Previous year ₹42,802 million)

@Statutory dues mainly includes contribution to PF, withholding taxes, excise duty and sales tax / GST etc.

## 27. Provisions (Current)

(₹in million)

| Particulars                            | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| <b>Provision for employee benefits</b> |                      |                      |
| Compensated absences                   | 375                  | 249                  |
| Gratuity (refer note 48)               | 436                  | 340                  |
| <b>Total</b>                           | <b>811</b>           | <b>589</b>           |



# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**28. Revenue from operations**

(₹in million)

| Particulars  | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|--|--------------------------------------|--------------------------------------|
| <b>Revenue from sale of products #</b>               |                                      |                                      |
| Sale of manufactured products                        | 829,974                              | 740,822                              |
| Sale of traded goods                                 | 152,746                              | 112,212                              |
| <b>Other operating revenues {refer note 39 (A)}*</b> | 3,874                                | 2,246                                |
| <b>Total</b>   | <b>986,594</b>                       | <b>855,280</b>                       |

\* Includes duty drawback income of ₹862 million (Previous year ₹972 million) and export obligation fulfilment income of ₹1,919 million (Previous year ₹165 million)

# Comprises of revenue from contract with customer of ₹1,005,291 million (recognised at a point in time) and ₹22,571 million pertaining to hedging loss related to sales which are recycled from the cash flow hedge reserve when the underlying sales contract is executed and concluded.

**Disaggregated revenue information**

Set out below is the disaggregation of the Group's revenue from contracts with customers. The management believes that such disaggregation better depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

| Particulars  | For the year ended<br>March 31, 2019 |
|--|--------------------------------------|
| Export sales (including deemed export amounting to ₹4,086 million) | 362,478                              |
| National Oil marketing companies                                   | 267,213                              |
| Retail Outlets   | 332,967                              |
| Others   | 42,633                               |
| <b>Total revenue from contracts with customers</b>                 | <b>1,005,291</b>                     |

Up to June 30, 2017, all products of the Group were liable to excise duty. From July 1, 2017 onwards (i) the production of HSD and MS continues to be liable to excise duty, and (ii) for all other products, the excise duty has been replaced with the Goods and Service Tax (GST). The Group collects excise duty on its own account and, therefore, is included in revenue. In contrast, the Group collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of this change in indirect taxes and resultant accounting impact, revenue from operations for the year ended March 31, 2019 is not comparable with the year ended March 31, 2018.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

| (₹ in million)           |                             |
|--------------------------|-----------------------------|
| <b>Contract balances</b> | <b>As at March 31, 2019</b> |
| Trade receivables        | 36,891                      |
| Contract liabilities     | 175,925                     |

Trade receivables are non-interest bearing and are generally on terms of 0 to 30 days. As on March 31, 2019, ₹8 million has been recognised towards provision for expected credit losses on trade receivables.

Contract assets are initially recognised for revenue earned from sale of the petroleum products when receipt of consideration is conditional on successful completion of billing shipment. Upon completion of billing milestone, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities include long-term / short-term advances received to deliver petroleum products. The significant increase in contract liabilities in 2018-19 was mainly due to net increase in long-term advances and short-term advances received from customers during the year.

| (₹ in million)  |  |
|---|--|
| <b>Particulars</b>  | <b>For the year ended March 31, 2019</b> |
| Revenue recognised out of contract liabilities outstanding at the beginning of the year | 25,539                                   |

| (₹ in million)  |  |
|---|--|
| <b>Reconciliation of the amount of revenue from contract with customers with the contracted price</b> |  |
| <b>Particulars</b>  | <b>For the year ended March 31, 2019</b> |
| Revenue as per contracted price   | 1,007,422                                |
| <b>Adjustments</b>  |  |
| Discount and incentives   | (2,131)                                  |
| <b>Revenue from contract with customers</b>   | <b>1,005,291</b>                         |

## Performance obligation

The performance obligation is satisfied upon delivery of the goods and services made as per the terms agreed with customers and payment is generally due within 0 to 30 days from delivery.

## 29. Other income

| (₹ in million)   |  |  |
|--|--|--|
| <b>Particulars</b>   | <b>For the year ended March 31, 2019</b> | <b>For the year ended March 31, 2018</b> |
| <b>Interest income</b>   |  |  |
| - Bank deposits (carried at amortised cost)                              | 799                                      | 756                                      |
| - Other financial assets (carried at amortised cost) {refer note 39 (B)} | 118                                      | 2,999                                    |
| - Derivative instruments-not designated as hedge                         | 544                                      | 620                                      |
|  | <b>1,461</b>                             | <b>4,375</b>                             |
| <b>Dividend income</b>   |  |  |
| - Dividend from equity investment-carried at FVTPL                       | -  | 5  |
| Other non-operating income   | 832                                      | 1,207                                    |
| <b>Other gains (net)</b>   |  |  |
| - Gain on settlement of commodity derivative - carried at FVTPL          | 13,473                                   | -  |
| - Gain on discontinuance of an associate due to control acquisition      | -  | 1,003                                    |
| - Net gain on investments carried at FVTPL                               | 772                                      | 346                                      |
| - Gain on reversal of Expected credit loss (net) {refer note 44(C)(v)}   | -  | 4,711                                    |
| <b>Total</b>   | <b>16,538</b>                            | <b>11,647</b>                            |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 30. Changes in inventories of finished goods, work-in-progress and stock-in-trade (₹in million)

| Particulars                 | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|-----------------------------|--------------------------------------|--------------------------------------|
| <b>Opening inventories:</b> |                                      |                                      |
| - Finished goods            | 13,013                               | 8,574                                |
| - Work-in-progress          | 17,770                               | 15,990                               |
| - Stock-in-trade            | 1                                    | 323                                  |
| <b>(A)</b>                  | <b>30,784</b>                        | <b>24,887</b>                        |
| <b>Closing inventories:</b> |                                      |                                      |
| - Finished goods            | 14,472                               | 13,013                               |
| - Work-in-progress          | 18,737                               | 17,770                               |
| - Stock-in-trade            | -                                    | 1                                    |
| <b>(B)</b>                  | <b>33,209</b>                        | <b>30,784</b>                        |
| Net (Increase) in Inventory | <b>Total (A) - (B)</b>               |                                      |
|                             | <b>(2,425)</b>                       | <b>(5,897)</b>                       |

## 31 Employee benefits expense\* (₹in million)

| Particulars   | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|---|--------------------------------------|--------------------------------------|
| Salaries, wages and bonus                                 | 4,841                                | 4,499                                |
| Contribution to provident and other funds (refer note 48) | 316                                  | 335                                  |
| Staff welfare expenses                                    | 200                                  | 147                                  |
| <b>Total</b>  | <b>5,357</b>                         | <b>4,981</b>                         |

\* net of ₹242 million (Previous year Nil) capitalised during turnaround (refer note 6).

## 32 Finance costs\* (₹in million)

| Particulars   | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|---|--------------------------------------|--------------------------------------|
| Interest  |                                      |                                      |
| a) On debentures  | 1,530                                | 949                                  |
| b) On term loans  | 10,342                               | 19,287                               |
| c) On others  | 9,135                                | 4,624                                |
| Exchange differences regarded as an adjustment to borrowing costs | 123                                  | -                                    |
| Other finance charges   | 4,496                                | 8,818                                |
| <b>Total</b>  | <b>25,626</b>                        | <b>33,678</b>                        |

\* net of ₹176 million (Previous year Nil) capitalised during the year (refer note 6).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 33 Other expenses\*

(₹in million)

| Particulars  | For the year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
|--|--------------------------------------|--------------------------------------|
| Consumption of chemical, catalyst, stores and spare parts          | 3,324                                | 2,686                                |
| Product and Intermediate material storage charges                  | -                                    | 4,417                                |
| Consumption of power, fuel and electricity                         | 9,662                                | 10,162                               |
| Rent / Return on investment / Adhoc Compensation to retail outlets | 671                                  | 1,087                                |
| Freight and Forwarding Charges                                     | 9,662                                | 6,623                                |
| Rent, rates and taxes  | 5,292                                | 2,226                                |
| Insurance  | 743                                  | 527                                  |
| Legal and professional fees  | 2,998                                | 1,500                                |
| Repairs and maintenance  | 1,661                                | 1,627                                |
| Debit balance / doubtful debts written off net of provision        | 4                                    | 12                                   |
| Loss on disposal / discard of property, plant and equipment (net)  | 172                                  | 119                                  |
| Exchange differences (net)   | 9,314                                | 4,045                                |
| Trade Mark Fees  | 2,555                                | 2,281                                |
| Expected credit loss (net of write off) {refer note 44(C)(v)}      | 190                                  | -                                    |
| Sundry expenses  | 2,632                                | 3,014                                |
| <b>Total</b>   | <b>48,880</b>                        | <b>40,326</b>                        |

### Note:

\* net of ₹3,387 (Previous year Nil) capitalised during turnaround (refer note 6).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**34 Exceptional items**

Exceptional items comprise of

(₹ in million)

| Particulars  | Year ended<br>March 31, 2019 | Year ended<br>March 31, 2018 |
|--|------------------------------|------------------------------|
| (A) Variation in foreign exchange fluctuation on overdue crude purchase liabilities (net of earmarked bank balances) and other related costs | 1,773                        | 19,471                       |
| (B) Write-off of Capital Work-in Progress expenses relating to petrochemical and expansion projects on reassessment                          | -                            | 2,970                        |
| (C) Write-back of a liability arising out of a settlement with a trade creditor  | -                            | (4,295)                      |
| (D) Loss on buyback of equity by Enneagon Limited, a subsidiary  | -                            | 301                          |
| <b>Total</b>   | <b>1,773</b>                 | <b>18,447</b>                |

**35 Discontinued Operations**

As a condition precedent to the Share Purchase Agreement (SPA), the Group transferred its Exploration and Production division on March 31, 2017 to its wholly owned subsidiary, Essar Oil and Gas Exploration India Limited. The Group had recorded a loss of ₹ 923 million (comprising of loss on sale of investment of ₹ 775 million and expenses of ₹ 148 million towards such discontinued operations) and the said subsidiary had been disposed-off during the year ended March 31, 2018.

**36 Earnings / (loss) per share**

The following table reflects the profit and data on equity shares used in the basic and diluted EPS computations:

| Particulars  |       | Year ended<br>March 31, 2019 | Year ended<br>March 31, 2018 |
|--|-------|------------------------------|------------------------------|
| <b>From Continuing operations</b>  |       |                              |                              |
| Profit attributable to ordinary equity share holders of the parent for basic & diluted earnings (₹ In million) | (A)   | 6,789                        | 6,680                        |
| <b>From Discontinuing operations</b>   |       |                              |                              |
| Loss attributable to ordinary equity share holders of the parent for basic & diluted earnings (₹ In million)   | (B)   | -                            | (923)                        |
| <b>From Continuing &amp; Discontinuing operations</b>  |       |                              |                              |
| Profit attributable to ordinary equity holders of the parent for basic & diluted earnings (₹ In million)       | (C)   | 6,789                        | 5,757                        |
| Weighted average number of ordinary shares for basic and diluted EPS   | (D)   | 1,490,561,155                | 1,490,561,155                |
| Nominal value of ordinary shares (₹)   |       | 10/-                         | 10/-                         |
| <b>Basic and Diluted earnings / (loss) per share (₹)</b>   |       |                              |                              |
| For Continuing operations  | (A/D) | 4.55                         | 4.48                         |
| For Discontinuing operations   | (B/D) | -                            | (0.62)                       |
| For Continuing & Discontinuing operations  | (C/D) | 4.55                         | 3.86                         |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 37 Capital and other commitments

(₹ in million)

| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| <b>(A) Capital commitments:</b>  |                      |                      |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | 2,030                | 5,500                |

### (B) Other commitments

(i) The Group has entered into an arrangement for standby bareboat charter with Essar Shipping (Cyprus) Limited (ESCL) for 3 ships at an average rate of USD 8,300 per day per ship for up to a period of 8 years ending on September 29, 2023. This bareboat charter gets implemented only if ESCL defaults in its payment with its lenders. However, ESCL has agreed to indemnify the Group against all losses, in the event of the bareboat charters becoming effective.

(ii) In February 2017, the Group entered into long-term brand license agreements with third parties towards use of brand and related trademarks, which were subsequently amended in August 2017. The amended brand licence agreements envisage an annual commitment of USD 35 million (₹ 2,421 million) with an annual escalation of 2% or US CPI ratio whichever is lower, for the term of initial 20 years {USD 35 million (₹ 2,277 million as at March 31, 2018)}. In case of earlier termination of these brand license agreements, the Group will be obliged to pay the net present value (discounted @ 10%) of the unpaid brand license fees.

## 38 Contingent liabilities

(₹ in million)

| Particulars   | As at<br>March 31, 2019 | As at<br>March 31, 2018 |
|---|-------------------------|-------------------------|
| (A) In respect of income tax demands on various issues  | 263                     | 250                     |
| (B) In respect of Sales tax / VAT on sale of SKO and LPG to Oil marketing companies which were ultimately sold through Public Distribution system {includes likely reimbursement of ₹ 31,243 million (as at March 31, 2018 ₹ 25,413 million)}   | 39,204                  | 31,959                  |
| (C) Other demands of Sales tax /VAT   | 818                     | 818                     |
| (D) In respect of custom duty / excise duty / service tax mainly relating to classification of products sold, allowability of cenvat credit {includes likely reimbursement of ₹ 521 million (as at March 31, 2018 ₹ 496 million)}   | 7,851                   | 7,236                   |
| (E) Claims filed by creditors of an erstwhile subsidiary (EOGEPL). The Group reserves its right to claim the entire amount back from the said entity.   | 555                     | 1,030                   |
| (F) Reserve Bank of India (RBI) levied a penalty of ₹2,412 million (March 31, 2018: ₹2,412 million) on the Company for delay in the allotment of equity against advances for Global Depository Shares (GDS). The Company contested the penalty and appealed to the RBI Governor which was rejected, and The Company has challenged the same before the Bombay High Court through a writ petition. In the meanwhile, the Enforcement Directorate initiated and closed an investigation in the matter and the order is awaited. The management is of the opinion that it should get relief and at most be liable for a sum of ₹49 million only (Previous year ₹49 million) for which necessary provision has been made in these financial statements. |                         |                         |
| (G) Pursuant to a take or pay arrangement (arising out of assignment of a contract for specified periods) for supply of Natural gas, a claim has been raised on the Company by the supplier for a sum of ₹17,957 million (including interest of ₹6,183 million) (As at March 31, 2018: ₹16,297 million including interest of ₹ 4,522 million), after adjusting an amount of ₹1,860 million realised by invoking the Bank Guarantee provided by the Company which has since been reimbursed by the assignor, as on March 31, 2019. The Company has disputed the entire claim and the matter is currently under arbitration. The Company on the basis of legal advice does not expect any material liability to devolve on the Company.               |                         |                         |
| (H) Other claims against the Group  | 3,015                   | 2,112                   |
| Third party claims where the possibility of outflow of resources embodying economic benefits is remote, and includes show cause notices which have not yet converted to regulatory demands, have not been disclosed as contingent liabilities.  |                         |                         |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

- 39 (A) Other operating revenue includes ₹ 526 million (Previous year ₹ 503 million) towards duty drawback on National calamity contingent duty (NCCD) paid on imported crude which was recognised based on a favourable order of the Commissioner (Appeals) (refer note 28). The appeal filed by the department against this order is pending before the Gujarat High Court for hearing. The total receivables on these accounts are ₹ 4,013 million (As at March 31, 2018 ₹ 3,487 million) (refer note 8).
- (B) The Company has a receivable of ₹834 million (As at March 31, 2018 ₹ 1,550 million) (refer note 8) from a customer which includes interest income for the year of ₹ 78 million (Previous year ₹78 million) (refer note 29). The Hon'ble Supreme Court of India in July 2015 had ordered the customer to pay the amount and accordingly the Company is accruing interest in line with the order of the apex court for the period of delay in payment. The company has assessed the recoverability of both the above balances as highly probable and hence has considered them as good of recovery.
- 40 The Hon'ble High Court of Gujarat, in response to the Group's petition, vide its orders dated August 04, 2006 and August 11, 2006 had allowed the Group to account for interest on debentures, for the period October 1998 to April 2012, on 'cash basis', which is payable over the period up to year 2026. As per the legal advice obtained by the Group, even after the implementation of the Companies Act 2013 and Ind-AS, the Group can continue to exercise its option to account for such interest cost on cash basis and has thus elected to do so. Had the Group accounted for the interest cost following the principles under Ind AS 109, the same would have had no material impact on these financial statements.

## 41 Leases

### A) Operating lease:

- i) The Group's major leasing arrangements are in respect of commercial /residential premises (including furniture and fittings). The lease rentals are recognised under "Other expenses". Further, the Group has taken land on lease for retail outlets. Such lease period ranges from 15 to 35 years which can be extended subject to mutual consideration but can be terminated at the option of the Group.

### ii) The Group as lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

(₹ in million)

| Particulars  | As at          | As at          |
|--|----------------|----------------|
|  | March 31, 2019 | March 31, 2018 |
| Payable not later than 1 year                        | 281            | 218            |
| Payable later than 1 year and not later than 5 years | 892            | 1,124          |
| Payable later than 5 years                           | 191            | 240            |
| <b>Total</b>   | <b>1,364</b>   | <b>1,582</b>   |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 42 Segment information

### Identification of Segments:

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Management committee (the 'Chief Operating Decision Maker' as defined in Ind AS 108 Operating Segments), in deciding how to allocate resources and in assessing performance. These have been identified taking into account nature of products and services, the differing risks and returns and the internal business reporting systems.

According to the management, the Group with all its subsidiaries are engaged in the single business of refining of crude oil and marketing of petroleum products in domestic and overseas market (refining business). The management believes that activities such as operation of crude oil terminal, power plant and construction & leasing of township, etc., are supporting the refining business. Hence, the management views operations of the entire Group as one activity for measuring performance. Basis this, the management has decided that the entire Group is a single segment entity.

### Information about major customers:

One customer in the Refining and Marketing segment contributed revenues (including excise duty) aggregating to ₹ 149,777 million, (for the year ended March 31, 2018 : Two customers in the Refining and Marketing segment contributed revenues aggregating to ₹ 262,328 million). No other customer contributed 10% or more, to the total revenue for both the year ended March 31, 2019 and March 31, 2018.

### Information about product and services

The Groups sells only petroleum products hence product wise disclosure is not applicable

### Geographical segment:

The Group operates in below geographical segments.

| (₹ in million)   |                              |                                      |
|--|------------------------------|--------------------------------------|
| Revenue from operations  | Year ended<br>March 31, 2019 | For the year ended<br>March 31, 2018 |
| Within India   | 628,202                      | 546,743                              |
| Outside India:   |                              |                                      |
| Singapore  | 51,690                       | 105,620                              |
| UAE  | 63,811                       | 50,638                               |
| Malaysia   | 51,778                       | 27,928                               |
| Other Countries  | 191,113                      | 124,351                              |
| <hr/>  |                              |                                      |
| Non current assets (excluding financial assets and non current tax assets) | As at March 31, 2019         | As at March 31, 2018                 |
| Within India   | 574,474                      | 573,880                              |
| Outside India:   | -                            | -                                    |



# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 43 Capital Management

The primary objective of the Group's capital management is to maximise the shareholder value while safeguarding its ability to continue as a going concern.

For the purpose of the Group's capital management, capital includes issued capital, securities premium and all other equity reserves attributable to the equity holders of the parent and non-controlling interests. The Net Debt comprises all long term and short term borrowings as well as export advances having original maturities for more than 1 year less cash and bank balances. The Group is not exposed to any external imposed capital requirements. Bank loans availed by the Group are subject to certain financial covenants based on information presented in standalone financial statements of the Company and the Company is compliant with these financial covenants on the reporting date as per the terms of the loan agreements. There is no outstanding default on the repayment of loans (including interest thereon) as at March 31, 2019

The Group monitors its capital using gearing ratio, which is net debt divided to equity and underlying net debt.

The following table summarizes the capital of the Group:

(₹ in million)

| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| Long term borrowings (refer note 19)   | 118,266              | 113,277              |
| Short term borrowings (refer note 23)  | 57,402               | 73,391               |
| Upfront fees   | 1,302                | 1,145                |
| Current maturities of long term borrowings (refer note 25)   | 8,429                | 15,018               |
| Export advances having original maturities for more than 1 year (current and non-current portion) (refer note 20 and 25) | 124,221              | 72,139               |
| <b>Total debt</b>  | <b>309,620</b>       | <b>274,970</b>       |
| Less: Cash and cash equivalents (refer note 13)  | (7,059)              | (24,593)             |
| Less: Bank balances other than above (refer note 14)   | (6,283)              | (10,200)             |
| <b>Total cash and bank balances</b>  | <b>(13,342)</b>      | <b>(34,793)</b>      |
| <b>Net debt (a)</b>  | <b>296,278</b>       | <b>240,177</b>       |
| Equity share capital (refer note 17)   | 15,072               | 15,072               |
| Other equity (refer note 18)   | 174,461              | 166,939              |
| Non-controlling Interests (refer note 45)  | 2,632                | 2,536                |
| <b>Total equity</b>  | <b>192,165</b>       | <b>184,547</b>       |
| <b>Equity and underlying net debt (b)</b>  | <b>488,443</b>       | <b>424,724</b>       |
| <b>Gearing ratio (a/b)</b>   | <b>60.66%</b>        | <b>56.55%</b>        |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 44 Financial Instruments

### A) Categories of financial instruments:

Given below is the category wise carrying amount of Group's financial instruments:

(₹ in million)

| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
|  | Carrying Value       | Carrying Value       |
| <b>Financial assets measured at amortised cost</b>                               |                      |                      |
| Trade receivables*   | 19,655               | 20,913               |
| Cash and cash equivalent*  | 7,059                | 24,593               |
| Bank balances other than cash and cash equivalent*                               | 6,283                | 10,200               |
| Other financial assets*  | 8,486                | 8,142                |
| <b>Total financial assets measured at amortised cost (A)</b>                     | <b>41,483</b>        | <b>63,848</b>        |
| <b>Financial assets measured at fair value through profit and loss</b>           |                      |                      |
| Current investments  | 1,001                | 13,021               |
| Trade receivables  | 17,236               | 8,359                |
| Derivative assets not designated as cash flow hedge                              | 65                   | 339                  |
| <b>Total financial assets measured at fair value through profit and loss (B)</b> | <b>18,302</b>        | <b>21,719</b>        |
| <b>Financial assets designated as cash flow hedge</b>                            |                      |                      |
| Derivative assets designated as cash flow hedge                                  | 2,731                | -                    |
| <b>Total financial assets designated as hedge (C)</b>                            | <b>2,731</b>         | <b>-</b>             |
| <b>Total financial assets (A+B+C)</b>  | <b>62,516</b>        | <b>85,567</b>        |
| <b>Financial liabilities measured at amortised cost</b>                          |                      |                      |
| Long-term borrowings#*   | 126,695              | 128,295              |
| Short-term borrowings*   | 57,402               | 73,391               |
| Trade payables*  | 92,711               | 171,009              |
| Other financial liabilities*   | 6,412                | 74,077               |
| <b>Total financial liabilities measured at amortised cost (A)</b>                | <b>283,220</b>       | <b>446,772</b>       |
| <b>Financial liabilities measured at fair value</b>                              |                      |                      |
| Derivative liabilities designated as cash flow hedge                             | 2,067                | 167                  |
| Advance received from export customers - designated as cash flow hedge           | 124,221              | -                    |
| Derivative liabilities not designated as cash flow hedge                         | 1,048                | 1,681                |
| <b>Total financial liabilities at fair value (B)</b>                             | <b>127,336</b>       | <b>1,848</b>         |
| <b>Total financial liabilities (A+B)</b>   | <b>410,556</b>       | <b>448,620</b>       |

#including current maturities of long-term borrowings

\* The management assessed that the fair value of these financial assets and liabilities approximate their carrying amounts due to the short term maturities of these instruments. For fair value of long term borrowings, refer below level wise disclosure.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**B) Level wise disclosure of fair value for financial instruments requiring fair value measurement/ disclosure:**

| Particulars   | As at<br>March 31,<br>2019 | As at<br>March 31,<br>2018 | Level | Valuation techniques and key inputs  |
|---|----------------------------|----------------------------|-------|--|
| <b>Instruments measured at fair value</b>               |                            |                            |       |  |
| Investment in mutual funds                              | 1,001                      | 13,021                     | I     | Net asset value declared by mutual fund  |
| Trade receivables                                       | 17,236                     | 8,359                      | II    | Discounted cashflow - future cashflows are based on the terms of trade receivables. Cashflows are discounted at the current market rate reflecting current market risks.   |
| Foreign currency forward exchange contracts-Assets      | 66                         | 307                        | II    | Interest rate swaps, foreign exchange forward / option contracts and commodity forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. |
| Foreign currency forward exchange contracts-Liabilities | 942                        | 33                         | II    |  |
| Foreign currency option contracts-Assets                | -                          | 32                         | II    |  |
| Foreign currency option contracts-Liabilities           | 29                         | -                          | II    |  |
| Commodity Derivative Contracts -Assets                  | 1,881                      | -                          |       |  |
| Commodity Derivative Contracts -Liabilities             | 699                        | 1,248                      | II    |  |
| Currency swap contracts -Assets                         | 849                        | -                          | II    |  |
| Currency swap contracts -Liabilities                    | 889                        | -                          | II    |  |
| Interest rate swap contracts -Liabilities               | 556                        | 567                        | II    |  |
| Advance received from export customers*                 | 124,221                    | -                          | II    | Long-term advances are evaluated based on parameters such as interest rates, specific country risk factors, credit risk and other relevant risk characteristics of the advance. The fair value is determined using the discounted cash flow method. The future cash flows are based on terms of the advance. These cash flows are discounted at a rate that reflects current market rate and the current market risk. Also, being foreign currency, amounts are restated at the closing rate.  |
| <b>Instruments at amortised cost</b>                    |                            |                            |       |  |
| Long term borrowings (including current maturities)     | 127,749                    | 128,295                    | II    | Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, credit risk and the risk characteristics of the financed project. The fair value is determined using the discounted cash flow method. The future cash flows are based on terms of the borrowing. These cash flows are discounted at a rate that reflects current market rate and the current market risk.  |

\*Physical commodity contracts, when used for trading purposes or readily convertible into cash and designated as at FVTPL for mitigating accounting mismatch, are treated as financial instrument. Unless designated as hedging instruments, such contracts are measured at fair value and associated gains and losses are recognised in the consolidated statement of profit and loss.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## (C) Financial risk management objectives

The Group's principal financial liabilities, other than derivatives, comprise loans and overdrafts, export advances and trade payables. The management treats the export advances as financial instruments for risk management purposes. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits which arise directly from its operations. The Group also invests surplus resources in mutual fund or similar instruments.

The Group is subject to fluctuations in commodity prices and currency exchange rates due to nature of its operations. Risks arising from the Group's financial instruments are commodity price risk, foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group enters into derivative transactions, primarily in the nature of commodity derivative contracts, forward currency contracts, currency swap contracts, currency options contracts and interest rate swap contracts. The purpose is to manage commodity price risk, currency risks and interest rate risks arising from the Group's operations. To mitigate risk, the Group may also designate existing foreign currency financial assets and liabilities as economic hedge against highly probable sale/ purchases.

The Group has a Risk Management Committee established by its Board of Directors overseeing the risk management framework and developing and monitoring Group's risk management policies. The risk management policies are established to ensure timely identification and evaluation of risks, setting acceptable risk thresholds, identification and mapping controls against this risk, monitor the risk and their limits, improve risk awareness and transparency. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and Group's activities to provide reliable information to the management and the Board to evaluate the adequacy of the risk management framework in relation to the risk faced by the Group. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

### i) Commodity price risk

The prices of refined petroleum products and crude oil are linked to the international prices. The Group's revenues, cost and inventories are exposed to the risk of fluctuation in prices of crude oil and petroleum products in the international markets. From time to time, the Group uses commodity derivative instruments to hedge the price risk of forecasted transactions such as forecast crude oil purchases and refined product sales. These derivative instruments are considered economic hedges for which changes in their fair value are recorded in the statement of Profit and Loss. However, in cases where the Group designates these derivative instruments as cash flow hedge, the effective portion of gain / loss on derivative is recognised in other comprehensive income and accumulated in equity. The amount is reclassified to statement of profit and loss when the hedged items impacts the statement of profit and loss.

The Group operates a risk management desk that uses hedging instruments to seek to reduce the impact of market volatility in crude oil and product prices on the Group's profitability. The Group's risk management desk uses a range of conventional oil price-related financial and commodity derivative instruments such as futures, swaps and options that are available in the commodity derivative markets. (The derivative instruments used for hedging purposes typically do not expose the Group to market risk because the change in their market value is usually offset by an equal and opposite change in the market value of the underlying asset, liability or transaction being hedged). The Group's open positions in commodity derivative instruments are monitored and managed on a daily basis to ensure compliance with its stated risk management policy which has been approved by the management.

Category wise break-up of commodity derivative contracts entered into by the Group and outstanding as at balance sheet date:

| Particulars               | Qty. in Barrels<br>(‘000) |                         | Fair value of assets/<br>(liabilities) (₹ in million) |                         |
|---------------------------|---------------------------|-------------------------|---|-------------------------|
|                           | As at March 31,<br>2019   | As at March 31,<br>2018 | As at March 31,<br>2019                               | As at March 31,<br>2018 |
| <b>Cash flow hedges</b>   |                           |                         |   |                         |
| <b>Crude oil</b>          |                           |                         |   |                         |
| <b>Buy Positions</b>      |                           |                         |   |                         |
| Less than 1 year          | 6,350                     | 16,828                  | 157   | (291)                   |
| <b>Sell Positions</b>     |                           |                         |   |                         |
| Less than 1 year          | -                         | (500)                   | -   | (17)                    |
| <b>Petroleum products</b> |                           |                         |   |                         |
| <b>Buy Positions</b>      |                           |                         |   |                         |
| Less than 1 year          | 17,400                    | -                       | 22  | -                       |
| <b>Sell Positions</b>     |                           |                         |   |                         |
| Less than 1 year          | (21,620)                  | (15,783)                | 1,003   | (940)                   |

# Notes to Consolidated Financial Statements

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The line items in the balance sheet that include the above hedging instruments are other financial assets and other financial liabilities

Credit balance in cash flow hedge reserve of ₹ 1,182 million as at March 31, 2019 (debit balance of ₹ 1,248 million as at March 31, 2018) on commodity derivative (gross of tax) contracts have been recognised in other comprehensive income.

There are no hedge ineffectiveness on the commodity derivative contracts during the reporting periods.

The following table details sensitivity to a 5% increase in the price of respective commodity. A positive number below indicates an increase in equity and negative number would be an inverse impact on equity.

| Particulars               | Impact on Equity (Net of taxes) |                      |
|---------------------------|---------------------------------|----------------------|
|                           | As at March 31, 2019            | As at March 31, 2018 |
|                           | (₹ in million)                  |                      |
| <b>Cash flow hedges</b>   |                                 |                      |
| <b>Crude oil</b>          |                                 |                      |
| <b>Buy Positions</b>      |                                 |                      |
| Less than 1 year          | 7                               | 6                    |
| <b>Sell Positions</b>     |                                 |                      |
| Less than 1 year          | -                               | (3)                  |
| <b>Petroleum products</b> |                                 |                      |
| <b>Buy Positions</b>      |                                 |                      |
| Less than 1 year          | 27                              | -                    |
| <b>Sell Positions</b>     |                                 |                      |
| Less than 1 year          | (2,088)                         | (851)                |

## ii) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed as per advice of Risk Management Committee (RMC) within approved policy parameters.

a) The carrying amounts of the Group's monetary assets and liabilities denominated in different currencies are as follows:

### As at March 31, 2019

| Particulars      | Assets        |               | Liabilities*   |               |
|------------------|---------------|---------------|----------------|---------------|
|                  | ₹ in Million  | FC in Million | ₹ in Million   | FC in Million |
| USD              | 16,911        | 244           | 287,467        | 4,156         |
| EURO             | 141           | 2             | 19,819         | 255           |
| Other Currencies | 2             | 0             | 392            | 20            |
| <b>TOTAL</b>     | <b>17,054</b> |               | <b>307,678</b> |               |

### As at March 31, 2018

| Particulars      | Assets        |               | Liabilities*   |               |
|------------------|---------------|---------------|----------------|---------------|
|                  | ₹ in Million  | FC in Million | ₹ in Million   | FC in Million |
| USD              | 19,021        | 292           | 254,825        | 3,918         |
| EURO             | 1,185         | 15            | 64,993         | 806           |
| Other Currencies | 3             | 0             | 26             | 0             |
| <b>TOTAL</b>     | <b>20,209</b> |               | <b>319,844</b> |               |

\* includes borrowings in foreign currency USD 661 million (₹ 45,734 million) {(previous year USD 939 million and Euro 32 million (₹ 63,667 million))}.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## b) Outstanding foreign currency forward exchange and option contracts

The Group has entered into foreign exchange forward and option contracts with the intention of reducing the foreign exchange risk of recognised assets and liabilities. These foreign exchange forward and option contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

### Not designated in hedging relationship

| Particulars               | Notional amounts<br>(in Foreign Currency Mn) |                      | Fair value of assets/<br>(liabilities) (₹ in million) |                      |
|---------------------------|--|----------------------|---|----------------------|
|                           | As at March 31, 2019                         | As at March 31, 2018 | As at March 31, 2019                                  | As at March 31, 2018 |
| <b>Forward Contracts:</b> |  |                      |   |                      |
| <b>Buy US\$</b>           |  |                      |   |                      |
| Less than 3 months        | 535  | 591                  | (830)   | 189                  |
| <b>Sell US\$</b>          |  |                      |   |                      |
| Less than 3 months        | -  | 115                  | -   | 3                    |
| <b>Buy EUR Sell US\$</b>  |  |                      |   |                      |
| Less than 3 months        | 216  | 472                  | (46)  | 82                   |
| <b>Options:</b>           |  |                      |   |                      |
| <b>Call US\$</b>          |  |                      |   |                      |
| Less than 3 months        | 14   | 65                   | (29)  | 32                   |

Sensitivity to a 5% increase in foreign currency rate is ₹ 1,672 million (Previous year ₹ 1,299 million) (net of tax). A positive number indicates an increase in profit and negative number would be an inverse impact on profit.

c) Effective April 1, 2018, the management has designated certain financial liabilities in foreign currency as cash flow hedges against highly probable future forecast sales. Such designation help the Company to reduce/ mitigate foreign exchange risk of related liabilities and highly probable sales as gain/ loss on restatement of liabilities is recognised in other comprehensive income. As at March 31, 2019 the Company has restated such liabilities amounting to ₹ 124,221 million (USD 1,796 million) at closing exchange rate and has taken the resultant loss to cash flow hedge reserve.

d) Unhedged currency risk position:

The foreign currency (FC) exposure of the Group as at balance sheet date that have not been hedged by a derivative instrument or otherwise are given below:

### As at March 31, 2019

| Currency         | Assets        |               | Liabilities    |               |
|------------------|---------------|---------------|----------------|---------------|
|                  | ₹ in Million  | FC in Million | ₹ in Million   | FC in Million |
| USD              | 16,911        | 244           | 125,271        | 1,811         |
| EURO             | 141           | 2             | 3,074          | 39            |
| Other Currencies | 2             | 0             | 392            | 20            |
| <b>TOTAL</b>     | <b>17,054</b> |               | <b>128,737</b> |               |

### As at March 31, 2018

| Currency         | Assets        |               | Liabilities    |               |
|------------------|---------------|---------------|----------------|---------------|
|                  | ₹ in Million  | FC in Million | ₹ in Million   | FC in Million |
| USD              | 11,539        | 177           | 212,185        | 3,262         |
| EURO             | 1,185         | 15            | 26,945         | 334           |
| Other Currencies | 3             | 0             | 26             | 0             |
| <b>TOTAL</b>     | <b>12,727</b> |               | <b>239,156</b> |               |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

The following table details sensitivity to a 5% increase in foreign currency rates. A positive number below indicates an increase in profit or equity and negative number would be an inverse impact on profit or equity.

(₹ in million)

| Particulars       | Impact on Profit<br>(net of taxes) |                      | Impact on Equity<br>(net of taxes) |                      |
|-------------------|------------------------------------|----------------------|------------------------------------|----------------------|
|                   | As at March 31, 2019               | As at March 31, 2018 | As at March 31, 2019               | As at March 31, 2018 |
| <b>Receivable</b> |                                    |                      |                                    |                      |
| USD               | 550                                | 375                  | -                                  | -                    |
| EURO              | 5                                  | 39                   | -                                  | -                    |
| Other Currencies  | 0                                  | -                    | -                                  | -                    |
| <b>Payables</b>   |                                    |                      |                                    |                      |
| USD               | (5,310)                            | (6,902)              | (4,041)                            | -                    |
| EUR               | (645)                              | (875)                | -                                  | -                    |
| Other Currencies  | (13)                               | (1)                  | -                                  | -                    |

## e) Currency swap contracts

The Group has also entered into currency swap contracts to cover the currency risk on forecasted sales. The following table details the currency swap contracts outstanding at the end of the reporting period

### Designated as cash flow hedges

| Sell US\$          | Notional amounts<br>(in USD Mn) |                      | Fair value of liabilities<br>(₹ in million) |                      |
|--------------------|---------------------------------|----------------------|---|----------------------|
|                    | As at March 31, 2019            | As at March 31, 2018 | As at March 31, 2019                        | As at March 31, 2018 |
| Less than 1 year   | 12                              | -                    | 720   | -                    |
| 1 year to 2 years  | 13                              | -                    | 654   | -                    |
| 2 years to 5 years | 282                             | -                    | (1,413)                                     | -                    |
| <b>TOTAL</b>       | <b>307</b>                      | <b>-</b>             | <b>(39)</b>                                 | <b>-</b>             |

The line items in the balance sheet that include the above hedging instruments are other financial assets and other financial liabilities.

Debit balance in cash flow hedge reserve of ₹ 393 million as at March 31, 2019 (debit balance of ₹ 624 million as at March 31, 2018) (Gross of tax) on currency swap contracts have been recognised in other comprehensive income. There are no hedge ineffectiveness on currency swap contracts during the reporting periods.

Sensitivity to a 5% increase in foreign currency rate is ₹ 740 million (Previous year Nil) (net of tax). A positive number indicates a decrease in equity and negative number would be an inverse impact on equity.

## iii) 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. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The borrowings of the Group are denominated in rupees and US dollars with a mix of floating and fixed interest rate. The Group hedges its US dollar interest rate risk through interest rate swaps to reduce the floating interest rate risk. The Group has exposure to interest rate risk, arising principally on changes in base lending rates and LIBOR rates. Hedging activities are evaluated regularly to align with interest rate views and define risk appetite, ensuring that the most cost effective hedging strategies are applied.

The following table provides a breakdown of the Group's fixed and floating rate liabilities:

(₹ in million)

| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| Fixed rate borrowings  | 24,000               | 22,204               |
| Floating rate borrowings   | 161,399              | 180,627              |
| Export advances having original maturities for more than 1 year at floating rate of interest | 124,221              | 72,139               |
| <b>Total</b>   | <b>309,620</b>       | <b>274,970</b>       |
| Less: Upfront fee  | (1,302)              | (1,145)              |
| <b>Total</b>   | <b>308,318</b>       | <b>273,825</b>       |

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's, profit for the year ended March 31, 2019 would decrease / increase by ₹ 929 million (Previous year ₹ 822 million) (net of tax). This is mainly attributable to the Group's exposure to interest rates on its variable rate liabilities.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate loan. The following tables detail the nominal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Certain interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

## Designated as cash flow hedges

### Outstanding Contracts (Floating to Fixed)

| Particulars        | Notional amounts<br>(in USD Mn) |                         | Fair value of liabilities<br>(₹ in million) |                         |
|--------------------|---------------------------------|-------------------------|---|-------------------------|
|                    | As at March 31,<br>2019         | As at March 31,<br>2018 | As at March 31,<br>2019                     | As at March 31,<br>2018 |
| Less than 1 year   | 21                              | 20                      | (93)  | (66)                    |
| 1 year to 2 years  | 24                              | 24                      | (126)                                       | (106)                   |
| 2 years to 5 years | 100                             | 76                      | (263)                                       | (230)                   |
| More than 5 years  | -                               | 45                      | -   | (26)                    |
| <b>Total</b>       | <b>145</b>                      | <b>165</b>              | <b>(482)</b>                                | <b>(428)</b>            |

The line items in the balance sheet that include the above hedging instruments are other financial liabilities.

Credit balance in cash flow hedge reserve of ₹ 39 million as at March 31, 2019 (credit balance of ₹ 78 million as at March 31, 2018) on interest rate swap derivative contracts (gross of tax) has been recognised in other comprehensive income.

There are no hedge ineffectiveness on interest rate swap contracts during the reporting periods.

A 50 basis points increase (decrease) in interest rate and all other variables held constant would result in ₹ 105 million (previous year: ₹ 142 million) (net of tax) increase (decrease) in equity.

## Not designated in hedging relationship

### Outstanding Contracts (Floating to Fixed)

| Particulars        | Notional amounts<br>(in USD Mn) |                         | Fair value of liabilities<br>(₹ in million) |                         |
|--------------------|---------------------------------|-------------------------|---|-------------------------|
|                    | As at March 31,<br>2019         | As at March 31,<br>2018 | As at March 31,<br>2019                     | As at March 31,<br>2018 |
| Less than 1 year   | 21                              | 29                      | (49)  | (76)                    |
| 1 year to 2 years  | 23                              | 21                      | (25)  | (45)                    |
| 2 years to 5 years | -                               | 23                      | -   | (18)                    |
| <b>Total</b>       | <b>44</b>                       | <b>73</b>               | <b>(74)</b>                                 | <b>(139)</b>            |

A 50 basis points increase (decrease) in interest rate and all other variables held constant would result in ₹ 11 million (previous year: ₹ 23 million) (net of tax) increase (decrease) in profit.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## iv) Liquidity Risk

The Group monitors its risk of shortage of funds using cash flow forecasting models. These models consider the maturity of their financial investments, committed funding and projected cash flows from operations. The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates existing at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay. Details of maturity profile are as given below.

(₹ in million)

| As at March 31, 2019  | < 1 Year       | 1 > 5 Years    | > 5 Years      | Total          |
|---|----------------|----------------|----------------|----------------|
| Long term Borrowings including future interest                          | 20,631         | 92,247         | 102,154        | 215,032        |
| Short Term Borrowings including future interest                         | 58,491         | -              | -              | 58,491         |
| Trade payables  | 92,711         | -              | -              | 92,711         |
| Other financial liabilities including future interest on export advance | 65,316         | 53,798         | 26,203         | 145,317        |
| Derivatives   | 1,819          | 1,296          | -              | 3,115          |
| <b>Total</b>  | <b>238,968</b> | <b>147,341</b> | <b>128,357</b> | <b>514,666</b> |

(₹ in million)

| As at March 31, 2018  | < 1 Year       | 1 > 5 Years    | > 5 Years      | Total          |
|---|----------------|----------------|----------------|----------------|
| Long term Borrowings including future interest                          | 25,418         | 68,533         | 135,874        | 229,825        |
| Short Term Borrowings including future interest                         | 75,293         | -              | -              | 75,293         |
| Trade payables  | 171,009        | -              | -              | 171,009        |
| Other financial liabilities including future interest on export advance | 10,456         | 50,912         | 40,002         | 101,370        |
| Derivatives   | 1,424          | 398            | 26             | 1,848          |
| <b>Total</b>  | <b>283,600</b> | <b>119,843</b> | <b>175,902</b> | <b>579,345</b> |

The Group has undrawn committed facilities as at March 31, 2019 of ₹ 22,905 million (₹ 34,315 million as at March 31, 2018) with maturities ranging from one to two years.

## v) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Group's credit risk arises principally from the trade receivables, investments, cash & bank balances and derivatives.

### Trade receivables:

Customer credit risk is managed centrally by the Group and is subject to established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating and individual credit limits and approved in accordance with the Delegation of Authority.

Credit risk on receivables is also mitigated, to some extent, by securing the same against letter of credit and guarantees of reputed nationalised and private sector banks. Trade receivables consist of a large number of customers spread across geographical areas with no significant concentration of credit risk. The outstanding trade receivables are regularly monitored and appropriate action is taken for collection of overdue trade receivables. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit period on sale of goods ranges from 0 to 30 days with or without security. The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix. The history of trade receivables shows a negligible allowance for bad and doubtful debts. Given below is the ageing of trade receivables of the Group:

Ageing of trade receivables (gross):

(₹ in million)

| Particulars        | As at March 31, 2019 | As at March 31, 2018 |
|--------------------|----------------------|----------------------|
| Not due            | 34,732               | 28,547               |
| 0-30 days          | 2,130                | 732                  |
| 31-180 days        | 26                   | 1                    |
| More than 181 days | 11                   | -                    |
| <b>Total</b>       | <b>36,899</b>        | <b>29,280</b>        |

The Group does not have a legal right of offset against any amounts owed by the Group to the counterparties. Trade receivables have been given as collateral towards borrowings (refer note 19 and 23). Expected credit losses are provided based on the credit risk of the counterparties (refer note 12).

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## Investments, cash and bank balances and derivatives

The Group's treasury function manages the financial risks related to the business. The Treasury function focuses on capital protection, liquidity and yield maximisation. Investment of surplus funds are made in reputed mutual funds and bank deposits. Counterparty credit limits are reviewed and approved by Board/Audit Committee of the Company. These limits are set to minimise the concentration of risks and therefore mitigates the financial loss through counterparty's potential failure to make payments. Expected credit losses are provided based on the credit risk of the counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. Further, commodity derivative contracts are entered only with international over the counterparties having high credit rating and thus the risk of default is minimised.

## Movement in the expected credit loss allowance

| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
|--|----------------------|----------------------|
| Balance at the beginning of the year               | 251                  | 6,307                |
| Addition on account of purchase of subsidiaries    | -                    | 187                  |
| Expected credit loss recognised / (reversed) (net) | 190                  | (4,711)              |
| Bad debts written off                              | -                    | (1,532)              |
| Balance at the end of the year                     | <b>441</b>           | <b>251</b>           |

The Group's maximum exposure to the credit risk for the components of the balance sheet as at March 31, 2019 and March 31, 2018 is the carrying amounts mentioned in note 8, note 12, note 15.

## 45 Non-Controlling Interest (NCI)

NCI relates to 2.37% (previous year: 2.37%) shares held by other shareholders in VOTL. VOTL is engaged in Handling and storage of crude oil and petroleum products. Its principal place of business is in India.

The table below shows summarized financial information of VOTL

| (₹ in million)                             |                      |                      |
|--|----------------------|----------------------|
| Particulars                                | As at March 31, 2019 | As at March 31, 2018 |
| Non-current assets                         | 147,370              | 148,234              |
| Current assets                             | 2,815                | 1,437                |
| Non-current liabilities                    | 37,034               | 38,581               |
| Current liabilities                        | 2,133                | 4,103                |
| <b>Net Assets</b>                          | <b>111,018</b>       | <b>106,987</b>       |
| Equity attributable to owners of the group | 108,386              | 104,451              |
| <b>Non-controlling interest</b>            | <b>2,632</b>         | <b>2,536</b>         |

| (₹ in million)   |                      |                      |
|--|----------------------|----------------------|
| Particulars  | As at March 31, 2019 | As at March 31, 2018 |
| Revenue (Including other income)                                     | 15,611               | 14,974               |
| Expenses (including exceptional items)                               | 9,323                | 13,251               |
| <b>Profit for the year</b>   | <b>4,033</b>         | <b>651</b>           |
| Profit attributable to owners of the Group                           | 3,937                | 638                  |
| Profit attributable to non-controlling interests                     | 96                   | 13                   |
| <b>Profit for the year</b>   | <b>4,033</b>         | <b>651</b>           |
| Other comprehensive loss attributable to the owners of the Group     | (2)                  | (3)                  |
| Other comprehensive loss attributable to non-controlling interests   | (0)                  | (0)                  |
| Other comprehensive loss during the year                             | (2)                  | (3)                  |
| Total comprehensive income attributable to the owners of the Group   | 3,935                | 635                  |
| Total comprehensive income attributable to non-controlling interests | 96                   | 13                   |
| Total comprehensive income during the year                           | 4,031                | 648                  |
| <b>Cash flows</b>  |                      |                      |
| Net cash inflow from operating activities                            | 10,960               | 8,284                |
| Net cash inflow from investing activities                            | (301)                | 28,581               |
| Net cash outflow from financing activities                           | (8,639)              | (36,633)             |
| <b>Net cash inflow</b>   | <b>2,020</b>         | <b>232</b>           |

Transaction towards non-controlling interests in Coviva Energy Terminals Limited (Formerly known as Vadinar Liquid Terminals Limited), being immaterial, has not been disclosed.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 46 Impairment testing of refining CGU

The Group recognised goodwill of ₹108,073 million during the financial year ended March 31, 2018 arising on the acquisition of Vadinar Oil Terminal Limited (VOTL) and Vadinar Power Company Limited (VPCL). The Group has determined that its entire operations fall into single CGU and single operating segment, viz., refining of crude oil and marketing of petroleum products in domestic and overseas market (refining business). Hence, the entire goodwill is allocable to the refining business CGU / segment and the carrying value of the CGU as at the balance sheet date is ₹ 571,272 million (March 31, 2018: ₹ 571,149 million).

The Group performed its annual impairment test for the financial year ended March 31, 2019 as on 31 January 2019. The Group considers various external and internal factors including significant changes in macro-economic environment and geopolitical developments, market interest rates, etc. when reviewing for indicators of impairment. For the financial year ended March 31, 2019, the Group has determined that there were no indicators of impairment, subsequent to the impairment testing date.

The recoverable amount of the CGU has been determined at ₹720,203 million (US\$ 10,139 million) [March 31, 2018: ₹ 650,530 (US\$ 10,001) million] based on the value in use calculation using discounted cash flow model (refer note 4(B)(iii)) based on business assumptions approved by management covering a five-year period and is in line with the business plan presented to the Board. The projected cash flows have been updated to reflect the current market scenario and expected changes. Since the value in use is higher than the carrying amount of the refining business CGU, the Group has not determined the fair value less costs of disposal separately.

### Key assumptions used for value in use calculations

The calculation of value in use for the unit is most sensitive to the following assumptions:

**Gross Refining Margin (GRM)** - The GRM projections, which is a difference between total product revenue and total feedstock cost for the year, are broadly in line with the 5 year business plan of the CGU. Accordingly, the GRMs are estimated to increase from US\$ 10.2 per bbl in FY 2019-20 to US\$ 11.7 per bbl in FY 2023-24, and thereafter they increase at a nominal rate of 2% per annum post the 5year period. A US\$ 0.5 per bbl decline in the GRM over the forecast period would lead to a decline in the recoverable value by ₹ 33,101 million (US \$ 466 million).

**Discount rates** - Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. Accordingly, the Group has estimated a discount rate of 11.3%. An increase in the discount rate by 50 basis points leads to a decline in recoverable value by ₹34,877 million (US \$ 491 million).

Considering the above, the management has assessed that any reasonable possible change in assumptions will not trigger recognition of impairment.

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## 47 Additional information as required under Schedule III to the Companies Act, 2013 of enterprises consolidated as Subsidiaries / Associates

| Name of Entity   | 2018-19  |                |                                     |                |   |                |                                     |                |
|--|--|----------------|-------------------------------------|----------------|---|----------------|-------------------------------------|----------------|
|  | Net assets, i.e., total assets minus total liabilities |                | Share in profit or loss             |                | Share in other Comprehensive Income             |                | Share in total Comprehensive Income |                |
|  | As % of consolidated net assets                        | (₹ in million) | As % of consolidated profit or loss | (₹ in million) | As % of consolidated other comprehensive income | (₹ in million) | As % of total comprehensive income  | (₹ in million) |
| <b>Parent:</b>   |  |                |                                     |                |   |                |                                     |                |
| Nayara Energy Limited (formerly known as Essar Oil Limited)                          | 96.30%   | 185,051        | 49.99%                              | 3,442          | 100.14%   | 734            | 54.82%                              | 4,176          |
| <b>Subsidiaries:-</b>  |  |                |                                     |                |   |                |                                     |                |
| <b>Indian:</b>   |  |                |                                     |                |   |                |                                     |                |
| Vadinar Oil Terminal Limited   | 3.65%  | 7,016          | 58.58%                              | 4,033          | -0.27%  | (2)            | 52.91%                              | 4,031          |
| Coviva Energy Terminals Limited (formerly known as Vadinar Liquid Terminals Limited) | 0.00%  | (7)            | -0.03%                              | (2)            | 0.00%   | -              | -0.03%                              | (2)            |
| Nayara Energy Global Limited (formerly known as Essar Oil Trading Mauritius Limited) | 0.00%  | 0              | 0.04%                               | 3              | 0.00%   | (0)            | 0.04%                               | 3              |
| Enneagon Limited   | 0.00%  | -              | -0.03%                              | (2)            | 0.14%   | 1              | -0.01%                              | (1)            |
| <b>Inter Group Elimination and Consolidation Adjustments</b>                         | 0.05%  | 105            | -8.55%                              | (589)          | 0.00%   | 0              | -7.73%                              | (589)          |
| <b>Grand Total</b>   | <b>100.00%</b>   | <b>192,165</b> | <b>100.00%</b>                      | <b>6,885</b>   | <b>100.00%</b>                                  | <b>733</b>     | <b>100.00%</b>                      | <b>7,618</b>   |

# Notes to Consolidated Financial Statements

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| Name of Entity   | 2017-18  |                |                                     |                |   |                |                                     |                |
|--|--|----------------|-------------------------------------|----------------|---|----------------|-------------------------------------|----------------|
|  | Net assets, i.e., total assets minus total liabilities |                | Share in profit or loss             |                | Share in other Comprehensive Income             |                | Share in total Comprehensive Income |                |
|  | As % of consolidated net assets                        | (₹ in million) | As % of consolidated profit or loss | (₹ in million) | As % of consolidated other comprehensive income | (₹ in million) | As % of total comprehensive income  | (₹ in million) |
| <b>Parent:</b>   |  |                |                                     |                |   |                |                                     |                |
| Nayara Energy Limited (formerly known as Essar Oil Limited)                          | 98.01%   | 180,875        | 92.20%                              | 5,320          | 98.92%  | (460)          | 91.61%                              | 4,860          |
| <b>Subsidiaries:-</b>  |  |                |                                     |                |   |                |                                     |                |
| Essar Oil and Gas Exploration and Production Limited                                 | 0.00%  | -              | 0.00%                               | -              | 0.00%   | -              | 0.00%                               | -              |
| Vadinar Oil Terminal Limited   | 1.62%  | 2,986          | 9.55%                               | 551            | 0.65%   | (3)            | 10.33%                              | 548            |
| Coviva Energy Terminals Limited (formerly known as Vadinar Liquid Terminals Limited) | 0.00%  | (5)            | -0.03%                              | (2)            | -   | -              | -0.04%                              | (2)            |
| Nayara Energy Global Limited (formerly known as Essar Oil Trading Mauritius Limited) | 0.00%  | (3)            | -0.02%                              | (1)            | -   | -              | -0.02%                              | (1)            |
| Enneagon Limited   | 0.00%  | 1              | -0.75%                              | (43)           | -   | -              | -0.81%                              | (43)           |
| <b>InterGroup Elimination and Consolidation Adjustments</b>                          | 0.38%  | 693            | -0.95%                              | (55)           | -   | (2)            | -1.07%                              | (57)           |
| <b>Grand Total</b>   | <b>100.00%</b>   | <b>184,547</b> | <b>100.00%</b>                      | <b>5,770</b>   | <b>99.57%</b>                                   | <b>(465)</b>   | <b>100.00%</b>                      | <b>5,305</b>   |

**Notes:**

- "0.00%" represents % less than 0.005%.
- Standalone financial information of the Company is restated to reflect the merger of Vadinar Power Company Limited (VPCL) and Nayara Energy Properties Limited (NEPL) with the Company, hence, no additional information has been furnished.

# Notes to Consolidated Financial Statements

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## 48 Defined benefit plans

### (1) Defined benefit plans :

#### i) Gratuity Plan

In accordance with the Payment of Gratuity Act, 1972, the Group contributes to a defined benefit plan (the "Gratuity Plan") for employees who have completed 5 years of service. The Gratuity Plan provides a lump sum payment to vested employees at retirement, disability or termination of employment being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group. The Gratuity plan is a funded plan and the Group makes contribution to LIC of India / SBI Life Insurance in India.

(₹ in million)

| Sr. No.   | Particulars  | Gratuity (Funded)                                      |                      |
|-----------|--|--|----------------------|
|           |  | As at March 31, 2019                                   | As at March 31, 2018 |
| <b>A</b>  | <b>Net assets / liability recognised in the balance sheet</b>  |  |                      |
| i         | Present value of defined benefit obligation  | 781  | 520                  |
| ii        | Fair value of plan assets  | 345  | 180                  |
| iii       | Funded status - deficit (iii = ii-i)   | <b>(436)</b>   | <b>(340)</b>         |
| iv        | Net assets / (liability) recognised in the balance sheet   | <b>(436)</b>   | <b>(340)</b>         |
| <b>B</b>  | <b>Expenses recognised in profit and loss for the year</b>   |  |                      |
| i         | Service cost   | 55   | 37                   |
| ii        | Past Service cost  | -  | 89                   |
| iii       | Interest cost  | 20   | 13                   |
|           | <b>Components of defined benefit costs recognised in Profit and loss</b>   | <b>75</b>  | <b>139</b>           |
| i         | Actuarial losses - experience  | 118  | 21                   |
| i         | Actuarial losses/(gains) - assumptions   | 19   | (1)                  |
| iii       | Return on plan assets greater than discount rate   | 0  | 2                    |
|           | <b>Components of defined benefit costs recognised in Other Comprehensive Income</b>  | <b>137</b>   | <b>22</b>            |
|           | <b>Total expenses</b>  | <b>212</b>   | <b>160</b>           |
| <b>C</b>  | <b>Change in obligation and assets</b>   |  |                      |
| <b>i</b>  | <b>Change in defined benefit obligation</b>  |  |                      |
| a         | Defined benefit obligation at beginning of the year  | 520  | 334                  |
| b         | Defined benefit obligation on account of acquisition of subsidiary   | -  | 42                   |
| c         | Current Service cost   | 55   | 37                   |
| d         | Interest cost  | 38   | 26                   |
| e         | Past Service cost  | -  | 89                   |
| f         | Acquisition adjustment / Transfer Out @  | 63   | -                    |
| g         | Actuarial losses - experience  | 118  | 21                   |
| h         | Actuarial losses - demographic assumptions   | -  | -                    |
| i         | Actuarial losses/(gains) - financial assumptions   | 19   | 1                    |
| j         | Benefit payments   | (31)   | (30)                 |
| k         | Employees contribution   | -  | -                    |
| l         | Defined Benefit obligation at the end of the year  | 781  | 520                  |
| <b>ii</b> | <b>Change in fair value of assets</b>  |  |                      |
| a         | Fair value of plan assets at the beginning of the year   | 180  | 172                  |
| b         | Fair value of plan assets on account of acquisition of subsidiaries  | -  | 15                   |
| c         | Acquisition adjustment / Transfer Out@   | 46   | (11)                 |
| d         | Interest income on plan assets   | 18   | 13                   |
| e         | Contributions made   | 132  | 23                   |
| f         | Return on plan assets lesser than discount rate  | (0)  | (2)                  |
| g         | Benefits payments  | (31)   | (30)                 |
| h         | Fair value of plan assets at the end of the year   | 345  | 180                  |
| <b>D</b>  | <b>Actuarial assumptions</b>   |  |                      |
| 1         | Discount rate (per annum)  | 7.10%  | 7.50%                |
| 2         | Rate of salary increase  | 12.00%   | 12.00%               |
| 3         | Rate of Withdrawal Rate  | 11.00%   | 11.00%               |
| 4         | Mortality  | Indian Assured Lives Mortality (2006-08) Ult. Modified |                      |
| <b>E</b>  | <b>Percentage of each category of plan assets to total fair value of plan assets</b>   |  |                      |
|           | Administered by Life Insurance Corporation of India / State Bank Of India  | 100%   | 100%                 |
| <b>F</b>  | <b>Employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date</b> | <b>108</b>   | <b>76</b>            |

@ Employees were transferred from / to related parties / other body corporates with credit for past services.

- Figures in bracket indicates negative value.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

**Notes :**

Weighted average duration of the defined benefit obligation is 6 years as at March 31, 2019 and March 31, 2018.

**These plans typically expose the Group to actuarial risks such as: interest rate risk, salary risk and demographic risk**

- 1 Interest rate risk : The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.
- 2 Salary Inflation risk : Higher than expected increases in salary will increase the defined benefit obligation
- 3 Demographic risk : This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

The defined benefit obligations shall mature after year ended March 31, 2019 as follows:

| Particulars                      | (₹ in million) |
|----------------------------------|----------------|
| As at March 31                   |                |
| 2020                             | 108            |
| 2021                             | 88             |
| 2022                             | 99             |
| 2023                             | 102            |
| 2024                             | 111            |
| March 31, 2025 to March 31, 2029 | 596            |

**Sensitivity Analysis:****Method used for sensitivity analysis:**

The sensitivity results below determine their individual impact on the Plan's end of year Defined Benefit Obligation. In reality, the Plan is subject to multiple external experience items which may move the Defined Benefit Obligation in similar or opposite directions, while the Plan's sensitivity to such changes can vary over time.

| Sr. No.   | Particulars   | As at March 31, 2019       | As at March 31, 2018 |
|-----------|---|----------------------------|----------------------|
|           |   | Increase/(decrease) in DBO |                      |
| <b>A)</b> | <b>Discount Rate :</b>  |                            |                      |
|           | Defined benefit obligation                                      | 781                        | 520                  |
|           | Discount rate   | 7.10%                      | 7.50%                |
|           | 1. Effect on DBO due to 0.5% increase in Discount Rate          | (23)                       | (16)                 |
|           | 2. Effect on DBO due to 0.5% decrease in Discount Rate          | 26                         | 17                   |
| <b>B)</b> | <b>Salary Escalation Rate :</b>                                 |                            |                      |
|           | Salary Escalation rate  | 12.00%                     | 12.00%               |
|           | 1. Effect on DBO due to 0.5% increase in Salary Escalation Rate | 16                         | 12                   |
|           | 2. Effect on DBO due to 0.5% decrease in Salary Escalation Rate | (16)                       | (12)                 |
| <b>C)</b> | <b>Withdrawal Rate :</b>  |                            |                      |
|           | Attrition rate  | 11.00%                     | 11.00%               |
|           | 1. Effect on DBO due to 5.00% increase in Withdrawal Rate       | (32)                       | (23)                 |
|           | 2. Effect on DBO due to 5.00% decrease in Withdrawal Rate       | 47                         | 35                   |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## ii Provident Fund :

Based on actuarial valuation in accordance with IND AS 19 for interest rate guarantee of exempted provident fund liability of employees, there is no interest shortfall in the funds managed by the trust and hence there is no further liability as at March 31, 2019 and March 31, 2018. Having regard to the assets of the Fund and the return on the investments, the Group does not expect any deficiency in the foreseeable future.

Eligible employees of the Group receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Group contributes a portion to the Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The plan assets have been primarily invested in government securities and high quality corporate bonds.

The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Group has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The actuary has provided a valuation for provident fund liabilities using the deterministic approach guidance issued by Actuarial Society of India. The present value of benefit obligation as at March 31, 2019 is ₹ 2,658 million (₹ 2,155 million as at March 31, 2018) as per the actuarial report and the fair value of plan assets is higher than the same as at each reporting date. Hence, there is no shortfall as at March 31, 2019 and March 31, 2018

Key assumptions used in determining the present value obligation of the interest rate guarantee are the Government of India (GOI) bond yield 7.10% (March 31, 2018 7.50%), Remaining term to maturity of portfolio 6 years (March 31, 2018: 7 years) and Expected guaranteed interest rate 8.65% for the first year and 8.60% thereafter (March 31, 2018 8.75% for the first year and 8.60% thereafter). The Group contributed ₹ 144 million and ₹ 113 million during the years ended March 31, 2019 and March 31, 2018, respectively. The same has been recognized in the Consolidated Statement of Profit and Loss under the head employee benefit expense.

Each year, the Board of Trustees reviews the level of funding in the provident fund plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review.

## (2) Defined contribution plans :

Group's contribution to superannuation fund, provident fund and pension fund aggregating to ₹ 9 million and ₹ 84 million (Previous year ₹ 8 million and ₹ 61 million) respectively are recognised in the consolidated statement of profit and loss as and when the contributions are due. There is no obligation other than the contribution payable to the respective trusts.



# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 49. Related party disclosures

### I. Names of related parties and description of relationship:

#### Relates Parties on or after August 18, 2017, with whom transactions have taken place

|   |  |
|---|--|
| <b>Enterprises having significant influence</b>     | Rosneft Trading SA   |
|   | Trafigura Pte. Ltd.  |
| <b>Key management personnel</b>                     | Mr. Charles Anthony Fountain, Executive Chairman (from August 19, 2017)          |
|   | Mr. C. Manoharan, Director & Head of Refinery                                    |
|   | Mr. Didier Casimiro, Director (from July 05, 2018)                               |
|   | Mr. Alexander Romanov, Director (from August 19, 2017)                           |
|   | Mr. Andrew James Balgarnie, Director (from August 19, 2017 to December 27, 2018) |
|   | Mr. Chin Hwee Tan, Director (from August 19, 2017)                               |
|   | Ms. Elena Sapozhnikova, Director (from August 19, 2017 to October 08, 2018)      |
|   | Mr. Alexey Karavaykin, Director (from December 28, 2018)                         |
|   | Mr. Johnathan Kollek, Director (from August 19, 2017)                            |
|   | Mr. Alexander Bogdashin, Director (from October 9, 2018)                         |
|   | Mr. Krzysztof Zielicki Antoni, Director (from August 19, 2017)                   |
|   | Mr. Marcus George Cooper, Director (from August 19, 2017 upto July 04, 2018)     |
|   | Ms. Naina Lal Kidwai, Independent Director (from October 09, 2017)               |
|   | Mr. Deepak Kapoor, Independent Director (from December 18, 2017)                 |
|   | Mr. R Sudarsan, Nominee Director (from January 15, 2013 to February 1, 2019)     |
|   | Mr. B. Anand, Chief Executive Officer (from August 19, 2017)                     |
| <b>Other related party</b>                          | Essar Oil Limited Employees Provident Fund (Controlled Trust)                    |
| <b>Related Parties before August 18, 2017</b>       |  |
| <b>List of related parties where control exists</b> |  |
| <b>Ultimate holding Company</b>                     | Essar Global Fund Limited, Cayman  |
| <b>Intermediate holding Companies</b>               | Essar Energy Limited (Formerly Known As Essar Energy PLC)                        |
|   | Essar Oil & Gas Limited, Mauritius   |
| <b>Holding Company</b>                              | Essar Energy Holdings Limited  |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 49. Related party disclosures

|   |   |
|---|---|
| <b>Key management personnel</b>                                 | Mr. Prashant Ruia, Chairman   |
|   | Mr. Lalit Kumar Gupta, Managing Director and CEO  |
|   | Mr. C Manoharan, Director - Refinery  |
|   | Mr. Suresh Jain, Director - Finance   |
|   | Mr. Dilip J. Thakkar, Independent Director  |
|   | Mr. K. N. Venkatasubramanian, Independent Director  |
|   | Mr. R. Sudarsan, Nominee Director - LIC of India  |
|   | Ms. Suparna Singh   |
|   | Mr. Sachikanta Mishra   |
| <b>Relates Parties, with whom transactions have taken place</b> |   |
| <b>Associates</b>   | Vadinar Power Company Limited (upto May 15, 2017)   |
|   | Coviva Energy Terminals Limited (Formerly known as Vadinar Liquid Terminals Limited) (upto June 28, 2017) |
| <b>Fellow Subsidiaries</b>                                      | Aegis Limited   |
|   | Bhander Power Limited   |
|   | Equinox Business Parks Private Limited  |
|   | Essar Bulk Terminal Limited   |
|   | Essar Bulk Terminal (Salaya) Limited  |
|   | Essar Energy Overseas Limited   |
|   | Essar Electric Power Development Corporation Limited  |
|   | Essar Exploration & Production Limited  |
|   | Essar Exploration & Production (India) Limited  |
|   | Arkay Logistics Limited (FKA Essar Logistics Limited)   |
|   | Essar Oil (UK) Limited  |
|   | Essar Oilfields Services India Limited  |
|   | Essar Power Gujarat Limited   |
|   | Essar Power Hazira Ltd  |
|   | EPC Construction (india) Limited (Formerly known as Essar Projects (I) Limited)                           |
|   | Essar Ports Limited   |
|   | Essar Power (Jharkhand) Ltd   |
|   | Essar Power MP Limited  |
|   | Essar Power Limited   |
|   | Essar Power Orissa Ltd  |
|   | Essar Power Transmission Company Limited  |
|   | Essar Shipping Limited  |
|   | Essar Steel India Limited   |
|   | Ibrox Aviation And Trading Pvt Ltd.   |
|   | Vadinar Oil Terminal Limited (up to June 28, 2017)  |
| <b>Other related party</b>                                      | Essar Oil Limited Employees Provident Fund (Controlled Trust)   |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 49 Related party disclosures

| A. Transactions with related parties <span style="float: right;">(₹ in million)</span> |  |               |                     |               |                |               |
|--|--|---------------|---------------------|---------------|----------------|---------------|
| Nature of transactions   | Enterprises having significant influence |               | Fellow Subsidiaries |               | Total          |               |
|  | 2018-19                                  | 2017-18       | 2018-19             | 2017-18       | 2018-19        | 2017-18       |
| <b>Purchase of property, plant &amp; equipment</b>                                     |  |               |                     |               |                |               |
| EPC Construction (India) Limited<br>(Formerly known as Essar Projects (I) Limited)     | -  | -             | -                   | 52            | -              | 52            |
| <b>Total</b>   | -  | -             | -                   | <b>52</b>     | -              | <b>52</b>     |
| <b>Security deposits given by the Company</b>  |  |               |                     |               |                |               |
| Essar Exploration & Production (India) Limited   | -  | -             | -                   | 30            | -              | 30            |
| <b>Total</b>   | -  | -             | -                   | <b>30</b>     | -              | <b>30</b>     |
| <b>Advance received from customers</b>   |  |               |                     |               |                |               |
| Trafigura Pte. Ltd.  | 47,222                                   | 9,757         | -                   | -             | 47,222         | 9,757         |
| <b>Total</b>   | <b>47,222</b>                            | <b>9,757</b>  | -                   | -             | <b>47,222</b>  | <b>9,757</b>  |
| <b>Sale of products* (refer note (i) below)</b>  |  |               |                     |               |                |               |
| Trafigura Pte. Ltd.  | 94,275                                   | 60,196        | -                   | -             | 94,275         | 60,196        |
| Rosneft Trading SA   | 36,997                                   | -             | -                   | -             | 36,997         | -             |
| Vadinar Oil Terminal Limited   | -  | -             | -                   | 2             | -              | 2             |
| Essar Energy Overseas Limited  | -  | -             | -                   | 14,794        | -              | 14,794        |
| Others   | -  | -             | -                   | 491           | -              | 491           |
| <b>Total</b>   | <b>131,272</b>                           | <b>60,196</b> | -                   | <b>15,287</b> | <b>131,272</b> | <b>75,483</b> |
| <b>Interest income</b>   |  |               |                     |               |                |               |
| Essar Energy Overseas Limited  | -  | -             | -                   | 2,698         | -              | 2,698         |
| Others   | -  | -             | -                   | 3             | -              | 3             |
| <b>Total</b>   | -  | -             | -                   | <b>2,701</b>  | -              | <b>2,701</b>  |
| <b>Lease income</b>  |  |               |                     |               |                |               |
| Vadinar Oil Terminal Limited   | -  | -             | -                   | 3             | -              | 3             |
| <b>Total</b>   | -  | -             | -                   | <b>3</b>      | -              | <b>3</b>      |
| <b>Purchase of raw material (refer note (i) below)</b>                                 |  |               |                     |               |                |               |
| Rosneft Trading SA   | 16,565                                   | -             | -                   | -             | 16,565         | -             |
| Trafigura Pte. Ltd.  | 19,335                                   | 15,852        | -                   | -             | 19,335         | 15,852        |
| Essar Power Gujarat Ltd  | -  | -             | -                   | 45            | -              | 45            |
| <b>Total</b>   | <b>35,900</b>                            | <b>15,852</b> | -                   | <b>45</b>     | <b>35,900</b>  | <b>15,897</b> |
| <b>Purchase of services- Storage and handling charges*</b>                             |  |               |                     |               |                |               |
| Vadinar Oil Terminal Limited   | -  | -             | -                   | 3,778         | -              | 3,778         |
| <b>Total</b>   | -  | -             | -                   | <b>3,778</b>  | -              | <b>3,778</b>  |
| <b>Rendering of services*</b>  |  |               |                     |               |                |               |
| Vadinar Oil Terminal Limited   | -  | -             | -                   | 129           | -              | 129           |
| Others   | -  | -             | -                   | 7             | -              | 7             |
| <b>Total</b>   | -  | -             | -                   | <b>136</b>    | -              | <b>136</b>    |
| <b>Consultancy services</b>  |  |               |                     |               |                |               |
| Trafigura Pte. Ltd. (refer note ii below)  | 725                                      | 9             | -                   | -             | 725            | 9             |
| Rosneft Trading SA (refer note ii below)   | 727                                      | -             | -                   | -             | 727            | -             |
| Essar Exploration & Production (India) Limited*  | -  | -             | -                   | 144           | -              | 144           |
| Others*  | -  | -             | -                   | 674           | -              | 674           |
| <b>Total</b>   | <b>1,452</b>                             | <b>9</b>      | -                   | <b>818</b>    | <b>1,452</b>   | <b>827</b>    |
| <b>Finance lease rent charged to Company*</b>  |  |               |                     |               |                |               |
| Essar Steel Limited  | -  | -             | -                   | 0             | -              | 0             |
| <b>Total</b>   | -  | -             | -                   | <b>0</b>      | -              | <b>0</b>      |
| <b>Loss on sale of discontinued operation</b>  |  |               |                     |               |                |               |
| Essar Exploration & Production Limited   | -  | -             | -                   | 774           | -              | 774           |
| <b>Total</b>   | -  | -             | -                   | <b>774</b>    | -              | <b>774</b>    |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 49 Related party disclosures

(₹ in million)

| Nature of transactions                              | Enterprises having significant influence |         | Fellow Subsidiaries |              | Total   |              |
|---|--|---------|---------------------|--------------|---------|--------------|
|   | 2018-19                                  | 2017-18 | 2018-19             | 2017-18      | 2018-19 | 2017-18      |
| <b>Proceeds from sale of discontinued operation</b> |  |         |                     |              |         |              |
| Essar Exploration & Production Limited              | -  | -       | -                   | 4,784        | -       | 4,784        |
| <b>Total</b>  | -  | -       | -                   | <b>4,784</b> | -       | <b>4,784</b> |
| <b>Expected Credit Loss</b>                         |  |         |                     |              |         |              |
| Essar Energy Overseas Limited                       | -  | -       | -                   | 163          | -       | 163          |
| Essar Power Limited                                 | -  | -       | -                   | 79           | -       | 79           |
| Vadinar Oil Terminal Limited                        | -  | -       | -                   | 294          | -       | 294          |
| Others  | -  | -       | -                   | 71           | -       | 71           |
| <b>Total</b>  | -  | -       | -                   | <b>607</b>   | -       | <b>607</b>   |

\* Including taxes wherever applicable

### B. Transactions with other classes of related parties

|   |     |     |
|---|-----|-----|
| <b>i) Key management personnel (Short term employee benefits)@*</b>   | 254 | 518 |
| @including employer contribution to provident fund and exclusive of provisions for liability in respect of leave earned and gratuity, since this is based on actuarial valuation done on an overall basis for all employees.  |     |     |
| *Pursuant to an amendment to the Companies Act, 2013 effective September 12, 2018, whilst calculating net profit for the purposes of managerial remuneration, all 'brought forward losses' including losses pertaining to years prior to the commencement of the Companies Act, 2013 (i.e. financial years preceding April 1, 2014) need to be adjusted. Though the Company has been earning profits, adjustment of past accumulated losses has resulted in inadequacy of profits under section 198 of the Companies Act, 2013, as a consequence of which the remuneration paid to Mr. Charles Anthony Fountain, Executive Chairman and Mr. C. Manoharan, Director & Head of Refinery is excess by ₹ 101 million. The Company is in the process of obtaining the shareholders' approval, through special resolution, at its ensuing annual general meeting for regularising the excess remuneration paid. |     |     |
| <b>ii) Key management personnel (Director Sitting Fees)</b>   | 11  | 8   |
| <b>iii) Key management personnel (Commission to Directors)</b>  | -   | 83  |
| <b>iv) Contribution during the period (includes Employees' share and contribution) to the controlled trust</b>  | 599 | 370 |

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 49 Related party disclosures

## C. Balances with related parties :

(₹ in million)

| Nature of balances                                  | Enterprises having significant influence |               | Total         |               |
|---|--|---------------|---------------|---------------|
|   | 2018-19                                  | 2017-18       | 2018-19       | 2017-18       |
| <b>Assets</b>                                       |  |               |               |               |
| <b>Financial assets</b>                             |  |               |               |               |
| <b>Trade receivables (refer note (iii) A below)</b> |  |               |               |               |
| Rosneft Trading SA                                  | 1,356                                    | -             | 1,356         | -             |
| Trafigura Pte. Ltd.                                 | 4,649                                    | 4,471         | 4,649         | 4,471         |
| <b>Total</b>  | <b>6,005</b>                             | <b>4,471</b>  | <b>6,005</b>  | <b>4,471</b>  |
| <b>Liabilities</b>                                  |  |               |               |               |
| <b>Other financial liabilities</b>                  |  |               |               |               |
| <b>Trade payables (refer note (iii) B below)</b>    |  |               |               |               |
| Rosneft Trading SA                                  | 4,078                                    | -             | 4,078         | -             |
| Trafigura Pte. Ltd.                                 | 653                                      | 2,068         | 653           | 2,068         |
| <b>Total</b>  | <b>4,731</b>                             | <b>2,068</b>  | <b>4,731</b>  | <b>2,068</b>  |
| <b>Advance received from customers</b>              |  |               |               |               |
| Trafigura Pte. Ltd.                                 | 27,115                                   | 13,659        | 27,115        | 13,659        |
| <b>Total</b>  | <b>27,115</b>                            | <b>13,659</b> | <b>27,115</b> | <b>13,659</b> |

Notes:

- (i) Rosneft Trading SA and Trafigura Pte. Ltd. under their respective contracts with the Group have the right to make the first offer for both sale of crude and purchase of finished products. In case the Group is able to get a better offer, these two parties reserve the right to match the offer, in which case the Group is obliged to transact with them. For supplies of finished products made against advance payments, premium / discounts to the market price index are pre-negotiated based on similar process. Where the Group participates in the tenders floated by these parties for purchasing crude oil, price to be quoted are determined on a case to case basis considering the prevailing market conditions and are approved by the management of the Group.
- (ii) Rosneft Trading SA and Trafigura Pte. Ltd. have been advising the Group on regular basis and providing insight into the market dynamics which helps in strategizing the crude procurement and sale of finished products. In consideration for the same, the Group is paying a fee of US \$ 0.1 for every barrel of crude oil purchased and finished products exported.
- (iii) Terms of receivables / payables:
  - A. Unsecured trade receivables are collected within 30 days from the date of sale.
  - B. Trade payables are non-interest bearing and are settled within 30 days of purchase.

# Notes to Consolidated Financial Statements

for the year ended March 31, 2019

## 50 Detail of Subsidiaries and Composition of Group

Following subsidiaries have been considered in the preparation of consolidated financial statements.

| Sr. No. | Name of the Group  | Principal activities  | Relation                | Country of Incorporation | Proportion of ownership Interest (%) |                      |
|---------|--|---|-------------------------|--------------------------|--------------------------------------|----------------------|
|         |  |   |                         |                          | As at March 31, 2019                 | As at March 31, 2018 |
| 1       | Vadinar Oil Terminal Limited (VOTL) (w.e.f. June 29, 2017)*  | Handling and storage of crude oil and petroleum products                          | Subsidiary              | India                    | 97.63%                               | 97.63%               |
| 2       | Coviva Energy Terminals Limited (CETL) (formerly known as Vadinar Liquid Terminals Limited) * (Note (a)) | Engaged in development of marine liquid terminal facilities                       | Subsidiary              | India                    | 100.00%                              | 51.00%               |
| 3       | Vadinar Power Company Limited (VPCL) (w.e.f. May 16, 2017)*  | Owns and operates power plants  | Wholly Owned Subsidiary | India                    |                                      | 100.00%              |
| 4       | Nayara Energy Properties Limited (formerly known as Vadinar Properties Limited) *                        | Construction and leasing/renting of residential township, colonies and complexes. | Wholly Owned Subsidiary | India                    | refer note (c) below                 | 100.00%              |
| 5       | Nayara Energy Global Limited (formerly known as Essar Oil Trading Mauritius Limited (EOTML))@            | Engaged in Investment holdings and trading in commodities                         | Wholly Owned Subsidiary | Mauritius                | 100.00%                              | 100.00%              |
| 6       | Enneagon Limited, Mauritius (w.e.f. June 29, 2017)@ (Note (b))   | Buying and selling of petroleum and coal products                                 | Subsidiary              | Mauritius                | 97.63%                               | 97.63%               |

\* Audited financial statements have been considered for consolidation.

@ Unaudited financial statements have been considered for consolidation.

(a) VOTL is holding 25% (Previous year 25%) and the Company is holding 75% (Previous year 26%) in CETL and hence CETL became subsidiary of the Company.

(b) VOTL is holding 100% in Enneagon Limited and hence Enneagon Limited has also become subsidiary of the Company.

(c) Pursuant to a scheme of arrangement approved on November 30, 2018 NEPL and VPCL have merged with the Company during the year.

As per our report of even date

**For S. R. Batliboi & Co. LLP**  
Chartered Accountants  
Firm Registration No. 301003E/E300005

**per Naman Agarwal**  
Partner  
Membership No. 502405

New Delhi, June 17, 2019

For and on behalf of the Board of Directors

**Chin Hwee Tan**  
Director  
DIN : 07703660

**C. Manoharan**  
Director  
DIN : 00184471

**Anup Vikal**  
Chief Financial Officer

New Delhi, June 17, 2019

**Deepak Kapoor**  
Director  
DIN : 00162957

**B. Anand**  
Chief Executive Officer

**Mayank Bhargava**  
Company Secretary