



Independent Auditors' Report

TO THE MEMBERS OF HINDUSTAN PETROLEUM CORPORATION LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of HINDUSTAN PETROLEUM CORPORATION LIMITED ('the Company'), which comprise the Balance Sheet as on March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information in which, is incorporated Ind AS financial statements of the branch office viz. Visakh Refinery, audited by the branch auditor, whose report dated May 18, 2018 has been considered in preparing this report.

Management's Responsibility

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company 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 Companies (Indian Accounting Standards) Rules, 2015, as amended.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as on March 31, 2018, and its profit (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

Other Matter

We refer to note no. 49 in connection with 21 Un-incorporated Jointly Controlled Entities ('UJCEs') involved in exploration activities, of which majority of UJCEs are under relinquishment. The standalone Ind AS financial statements include Company's proportionate share in Assets and Liabilities as on March 31, 2018 and Income and Expenditure for the year ended on March 31, 2018 amounting to ₹ 22.62 crores and ₹ 16.90 crores, ₹ 10.15 crores and ₹ 7.63 crores respectively. In respect of these UJCEs, the audited accounts are not available with the Company. The financial information has been incorporated based on data received from the respective operators.



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The standalone Ind AS financial statements of the Company for the year ended March 31, 2017 were audited by the joint auditors of the Company, one of which is the predecessor audit firm, and have expressed an unmodified opinion dated May 26, 2017 on such financial statements.

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by the section 143(5) of the Act, we give in the Annexure II a statement on the directions / sub-directions issued by the Comptroller and Auditor-General of India.
3. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The reports on the accounts of the branch office of the Company viz. Visakh Refinery audited under section 143(8) of the Act by the branch auditor have been sent to us and have been properly dealt with by us in preparing this report;
 - d) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - e) In our opinion, the attached standalone Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015 as amended;
 - f) As per notification no. G.S.R 463(E) dated June 5, 2015, the Government companies are exempted from the provisions of section 164(2) of the Act, accordingly, we are not required to report whether any directors of the Company are disqualified in terms of provisions contained in the said section;
 - g) With respect to the adequacy of the Internal Financial Controls with reference to Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure III; and
 - h) With respect to the other matters to be included in the Auditors' 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 Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note 55 to the standalone Ind AS financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and
 - iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Company

For **G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration No.:104767W

Sd/-
Atul Shah
Partner
Membership No.: 039569

For **M. P. Chitale & Co.**
Chartered Accountants
Firm Registration No.: 101851W

Sd/-
Anagha Thatte
Partner
Membership No.: 105525

Place : New Delhi
Dated : May 22, 2018



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ANNEXURE I - referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, Including quantitative details and situation of Property Plant and Equipment (fixed assets).
- (b) The Property Plant and Equipment of the Company, other than LPG cylinders and pressure regulators with customers are physically verified by the Management in a phased program of three to five years cycle. In our opinion, the programme is reasonable having regard to the size of the Company and the nature of its assets. In our opinion and as per the information given by the management, the discrepancies observed were not material and have been appropriately accounted in the books of account.
- (c) According to the information and explanations given to us and based on verification of records on random basis, we report that the title deeds of immovable properties held as Property Plant and Equipment, other than self-constructed properties, are held in the name of the Company, except for the following:

(₹ In Crores)

Particulars	No. of Cases	Gross Block as on March 31, 2018	Net Block as on March 31, 2018	Remarks
Freehold Land	3	0.02	0.02	Title deeds / other evidence not available for verification
Leasehold Land	1	0.01	–	Lease deed / other evidence not available for verification

For the purpose of reporting under this clause, where ever title deeds of immovable properties were not available, we have relied on substantive evidences such as property tax payment receipts, noting in municipal records conveying title to the Company over the property.

- (ii) During the year, the inventories have been physically verified at reasonable intervals by the management. The discrepancies noticed on physical verification, as compared to the book records, were not material having regards to size and nature of operations and have been properly dealt with in the books of account.
- (iii) As per notification no. G.S.R 463(E) dated June 5, 2015, the Government companies are exempted from the provisions of section 188 of the Act in respect of contracts or arrangements entered into between the Government companies. The Company has not granted loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Hence, the question of reporting under sub-clauses (a), (b) & (c) of the clause 3(iii) of the Order does not arise.
- (iv) The Company has not granted any loans or provided any guarantees or security to the parties covered under section 185 of the Act. The Company has complied with the provisions of section 186 of the Act in respect of investments made or loans or guarantee or security provided to the parties covered under section 186 of the Act.
- (v) The Company has not accepted any deposits from the public, within the meaning of sections 73 to 76 of the Act and the rules framed there under. We are informed by the Management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal in this regard.
- (vi) We have broadly reviewed accounts and records maintained by the Company pursuant to rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, in respect of Company's products to which the said rules are made applicable and are of the opinion that, prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.
- (vii) (a) According to the information and explanations given to us and according to the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues



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including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Goods & Service Tax, duty of Custom, duty of Excise, Value Added Tax, Cess and any other statutory dues, wherever applicable.

According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were outstanding as on March 31, 2018 for a period of more than 6 months from the date they became payable.

- (b) According to the information and explanations given to us, the particulars of statutory dues that have not been deposited on account of disputes are as under:

Statute	Forum pending	Period to which amount relates	Amount (₹ in Crores)
Customs	Appellate Authority*	2007-2013	2.15
	Tribunal**	1998-2013	9.64
	Total		11.79
Central Excise	Appellate Authority*	1994-2017	17.74
	Tribunal**	1994-2017	353.56
	Adjudicating Authority***	2004-2014	26.39
	Revision Authority	1999-2012	1.10
	High Court	1994-2014	4.76
	Total		403.55
Sales Tax/Entry Tax	Board of Revenue	1999-2014	5.05
	Appellate Authority*	1976-2016	1,685.32
	Tribunal**	1976-2015	2,592.87
	Adjudicating Authority***	1976-2015	1,679.52
	High Court	1979-2015	956.96
	Objection Hearing Authority	2008-2012	17.89
	Supreme Court	2002-2004	6.68
	Total		6,944.29
Service Tax	Appellate Authority*	2005-2015	1.59
	Tribunal**	2002-2015	75.91
	High Court	1981 - 2013	3.75
	Total		81.25
Income tax	Tribunal**	2006-2011	0.17
	Total		0.17

* Appellate Authority represents Assistant Commissioner (A), Deputy Commissioner (A), Joint Commissioner (A), Additional Commissioner (A)

** Tribunal represents Sales Tax Appellate Tribunal, Central Excise and Service tax Appellate Tribunal (CESTAT), Income Tax Appellate Tribunal (ITAT)

*** Adjudicating authority represents Assessing Officer, Additional Commissioner, Deputy Commissioner, Joint Commissioner, Additional Commissioner, Chief Commissioner

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to financial institutions, banks, government or dues to debenture holders.



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- (ix) The Company has not raised money by way of Initial Public Offer or Further Public Offer (including debt instruments). According to the information and explanations given to us and on the basis of the records examined by us, the Company has prima facie applied the term loan for the purpose for which it was obtained.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no instances of material fraud by the Company or on the Company by its officers and employees have been noticed or reported during the year.
- (xi) As per notification no. G.S.R 463(E) dated June 5, 2015, the Government companies are exempted from the provisions of section 197 of the Act, accordingly, the question of reporting whether the payment of managerial remuneration by the Company is in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act does not arise.
- (xii) The Company is not a chit fund or a nidhi company. Hence, the question of reporting under clause 3(xii) of the Order does not arise.
- (xiii) As per notification no. G.S.R 463(E) dated June 5, 2015, the Government companies are exempted from the provisions of section 188 of the Act in respect of contracts or arrangements entered into between the Government companies. The Company has complied with the provisions of section 177 and section 188 of the Act in respect of transactions with the related parties and the details have been disclosed in the standalone Ind AS financial statements as required by the applicable Indian Accounting Standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit.
- (xv) The Company has not entered into any non-cash transactions with directors or persons connected with him covered under the provisions of section 192 of the Act.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration No.:104767W

Sd/-
Atul Shah
Partner
Membership No.: 039569

For **M. P. Chitale & Co.**
Chartered Accountants
Firm Registration No.: 101851W

Sd/-
Anagha Thatte
Partner
Membership No.: 105525

Place : New Delhi
Dated : May 22, 2018



Independent Auditors' Report

ANNEXURE II - referred to in paragraph 2 under "Report on Other Legal and Regulatory Requirements" of our report of even date

Based on the verification of records of the Company and based on information and explanations given to us, we give below a report on the directions issued by the Comptroller and Auditor General of India in terms of the section 143(5) of the Act.

Sr. No.	Areas to be examined	Observation/finding																
1	Whether the Company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	Based on the verification of the records of the Company on random basis and as reported in para 1(c) of the Annexure I of this report, the Company does not have the original clear title deeds in respect of 4 freehold land/lease hold land. The details of area of such land as compiled by the management are as under: <table border="1" data-bbox="582 752 1508 907"> <thead> <tr> <th>Particulars</th> <th>No. of cases</th> <th>Acres</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Freehold Land</td> <td>3</td> <td>0.75</td> <td>Title deeds not available for verification</td> </tr> <tr> <td>Leasehold Land</td> <td>1</td> <td>0.31</td> <td>Lease deeds not available for verification</td> </tr> <tr> <td>Total</td> <td>4</td> <td></td> <td></td> </tr> </tbody> </table>	Particulars	No. of cases	Acres	Remarks	Freehold Land	3	0.75	Title deeds not available for verification	Leasehold Land	1	0.31	Lease deeds not available for verification	Total	4		
Particulars	No. of cases	Acres	Remarks															
Freehold Land	3	0.75	Title deeds not available for verification															
Leasehold Land	1	0.31	Lease deeds not available for verification															
Total	4																	
2	Whether there are any cases of waiver / write off of debts / loans / interest etc., if yes, the reasons there for and the amount involved	As per the process followed by the Company, any waiver of debt is accounted only with the approval of Competent Authority in line with the Delegation of Authority. Interest on delayed payments from Customers is waived on merit of each case by approving authority. During the year, the Company has written off ₹ 65.96 crores being the provisions made in earlier years on account of legacy and migrated balances, customers' balances, legal cases including disputed cases, investments.																
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift / grant(s) from Government or other authorities.	a. Proper records are maintained for inventories lying with third parties. b. During the year, the Company has not received any assets as gifts from Government or other authorities.																

For **G. M. Kapadia & Co.**
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ANNEXURE III - referred to in paragraph 3(g) under "Report on Other Legal and Regulatory Requirements" of our report of even date

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the Internal Financial Controls with reference to Financial Statements of HINDUSTAN PETROLEUM CORPORATION LIMITED ('the Company') as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining Internal Financial Controls with reference to Financial Statements established by the 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 (ICAI). 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 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.

Auditors' Responsibility

Our audit of Internal Financial Controls with reference to Financial Statements includes 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 standalone Ind AS 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 Company's Internal Financial Controls with reference to Financial Statements.

Meaning of Internal Financial Controls with reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of Internal Financial Controls with reference to 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 with reference to Financial Statements to future periods



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are subject to the risk that the Internal Financial Control with reference to 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 Company has, in all material respects, an adequate Internal Financial Controls with reference to Financial Statements and such Internal Financial Controls with reference to Financial Statements were operating effectively as on March 31, 2018, based on the criteria established by the 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.

Other Matters

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the Internal Financial Controls with reference to Financial Statements insofar as it relates branch office of the Company viz. Visakh Refinery audited by the branch auditor, appointed under section 143(8) of the Act is based on the report of the branch auditor which has been sent to us and has been properly dealt with by us in preparing this report.

For **G. M. Kapadia & Co.**
Chartered Accountants
Firm Registration No.:104767W

Sd/-
Atul Shah
Partner
Membership No.: 039569

Place : New Delhi
Dated : May 22, 2018

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