

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHARAT PETROLEUM CORPORATION LIMITED

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of Bharat Petroleum Corporation Limited ("the Corporation"), which comprise the Balance Sheet as at 31st March 2018, the statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Corporation'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 state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Corporation in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Corporation 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

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
4. 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 there under.
5. We conducted our audit of the standalone Ind AS financial statements 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 Corporation'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 the accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.
7. 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

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 including the Ind AS, of the state of affairs (financial position) of the Corporation as at 31st March 2018 and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.



Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Corporation as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
10. As required by Section 143(5) of the Act, we give in "Annexure B", a statement on the matters specified by the Comptroller and Auditor-General of India for the Corporation.
11. 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 purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Corporation so far as it appears from our examination of those books;
 - c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act;
 - e) In view of exemption given vide notification no. G.S.R. 463(E) dated June 5 2015, issued by Ministry of Corporate Affairs, provisions of Section 164(2) of the Act regarding disqualification of directors, are not applicable to the Corporation;
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Corporation and the operating effectiveness of such controls, refer to our separate audit report in "Annexure C";
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Corporation has disclosed the impact, if any, of pending litigations on its financial position in its standalone Ind AS financial statements. Refer Note 63 of the standalone Ind AS financial statements;
 - ii. The Corporation has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Corporation.

For CVK & Associates

Chartered Accountants
ICAI FRN: 101745W

Sd/-

A. K. Pradhan

Partner

Membership No.: 032156

For Borkar & Muzumdar

Chartered Accountants
ICAI FRN: 101569W

Sd/-

B. M. Agarwal

Partner

Membership No.: 033254

Place: Mumbai

Date: 29th May 2018

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 9 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of Bharat Petroleum Corporation Limited ("the Corporation") on the standalone Ind AS financial statements as of and for the year ended 31st March 2018]

- (i) (a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As per information and explanations given to us, physical verification of fixed assets (except LPG Cylinders and pressure regulators with customers) has been carried out by the Management during the year in accordance with the phased programme of verification of all assets over three years which, in our opinion, is reasonable having regard to the size of the Corporation and the nature of its assets. As informed, no material discrepancies were noticed on such verification;
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Corporation, the title deeds of immovable properties are held in the name of the Corporation, except in cases given below:

Particulars	Number of Cases	Gross Block (₹ in Crore)	Net Block (₹ in Crore)	Remarks
Freehold Land	13	85.92	85.92	Documents of title not available for verification
Freehold Land	12	9.36	9.36	Documents of title informed as lying with registration authorities

- (ii) The inventory (excluding stocks with third parties and goods in transit) has been physically verified by the Management during the year at reasonable intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them. No material discrepancies were noticed on physical verification of inventories carried out at the end of the year;
- (iii) As informed, the Corporation has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraphs 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable;
- (iv) In our opinion and according to the information and explanations given to us, the Corporation has complied with the provisions of Section 185 and Section 186 of the Act, with respect to the loans, investments, guarantees and securities;
- (v) In our opinion and according to the information and explanations given to us, the Corporation has not accepted any deposits from public within the provisions of Sections 73 to 76 of the Act read with The Companies (Acceptance of Deposits) Rules, 2014 and other relevant provisions of the Act;
- (vi) We have broadly reviewed the books of account maintained by the Corporation in respect of products where the maintenance of cost records has been specified by the Central Government under Section 148(1) of the Act and the rules framed there under and we are of the opinion that prima-facie, the prescribed books of account and cost records have been made and maintained. We have not, however, made a detailed examination of the same with a view to determining whether they are accurate or complete;
- (vii) (a) The Corporation is generally regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service tax (GST), Customs Duty, Excise Duty, Value Added Tax, Cess and any other material statutory dues applicable to it;

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service tax (GST), Customs Duty, Excise Duty, Value Added Tax, Cess and any other material statutory dues applicable to it, were outstanding, as on the last day of the financial year, for a period of more than six months from the date they became payable;

- (b) According to the information and explanation given to us, the dues outstanding with respect to income tax, sales tax, service tax, duty of customs, duty of excise, value added tax have not been deposited on account of any dispute, are as per Statement 1;
- (viii) According to the information and explanations given to us, the Corporation has not defaulted in repayment of loans or borrowing to financial institutions, banks, Government or dues to debenture holders;
- (ix) The Corporation did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. According to the information and explanations given to us, money raised by way of term loans during the year have been applied for the purpose for which those were raised;
- (x) During the course of our examination of the books and records of the Corporation, 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 fraud by the Corporation or on the Corporation by its officers and employees have been noticed or reported during the year except incidents of irregularities that were reported during Financial Year 2016-17, which have been probed by the vigilance team of the Corporation during the year. We are informed that the matter has been handed over to Central Bureau of Investigation for further enquiry and that the Management is in the process of taking appropriate action.
- (xi) In view of exemption given vide notification no. G.S.R. 463(E) dated June 5 2015, issued by Ministry of Corporate Affairs, provisions of Section 197 read with Schedule V of the Act regarding managerial remuneration are not applicable to the Corporation. Accordingly, paragraph 3(xi) of the Order is not applicable;
- (xii) In our opinion and according to the information and explanations given to us, the Corporation is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable;
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Corporation, all transactions entered into by the Corporation with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements, as required by the applicable Indian Accounting Standards;
- (xiv) According to the information and explanations given to us and based on our examination of the records, the Corporation has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable;
- (xv) According to the information and explanations given to us and based on our examination of the records, the Corporation has not entered during the year into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable;
- (xvi) The Corporation is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For CVK & Associates

Chartered Accountants
ICAI FRN: 101745W

Sd/-

A. K. Pradhan

Partner

Membership No.: 032156

For Borkar & Muzumdar

Chartered Accountants
ICAI FRN: 101569W

Sd/-

B. M. Agarwal

Partner

Membership No.: 033254

Place: Mumbai

Date: 29th May 2018

Statement 1 (Refer Clause vii (b) of Annexure A)

₹ in Crores

S. No	Name of the Statute	Nature of Dues	Forum Where Dispute is pending	Amount	Period block to which it relates ^
1.	Central Excise Act, 1944	Duty, interest and penalty for cases relating to Determination of Assessable value, Cenvat Credit etc.	Supreme Court	898.00	2000 to 2010
			High Court	123.93	2000 to 2015
			Appellate Tribunal*	1,337.77	1985 to 2018
			Appellate Authority**	73.03	1990 to 2018
			Adjudicating Authority***	10,444.61	1990 to 2018
			Total	12,877.34	
2.	Customs Act, 1962	Duty, interest and penalty for cases relating to Determination of Valuation etc.	Appellate Tribunal*	5.39	2000 to 2010
			Total	5.39	
3.	Income Tax Act, 1961	Tax, interest and penalty demands towards various Income tax disputes	High Court	9.01	1990 to 2005
			Appellate Tribunal*	5.73	1990 to 2005
			Appellate Authority**	25.53	2005 to 2018
			Total	40.27	
4.	Sales Tax/VAT Legislations	Tax, interest and penalty demand towards Sales tax/VAT disputes	Supreme Court	2.33	1995 to 2005
			High Court	588.86	1980 to 2015
			Appellate Tribunal*	3,651.79	1985 to 2015
			Appellate Authority**	7,692.84	1985 to 2018
			Total	11,935.82	
5.	Finance Act, 1994 (Service Tax)	Duty, interest and penalty for cases relating to Service tax disputes	Supreme Court	31.56	2005 to 2015
			Appellate Tribunal*	34.34	2000 to 2015
			Appellate Authority**	0.80	2005 to 2015
			Adjudicating Authority***	224.37	2005 to 2018
			Total	291.07	
			Grand Total	25,149.89	

Dues Include Penalty & Interest, wherever applicable.

* Appellate Tribunal includes Sales Tax Tribunal, CESTAT and ITAT.

** Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals.

*** Adjudicating Authority includes Collector of Sales Tax, Sales Tax Officer and Deputy Commissioner Sales Tax, Joint / Deputy/ Additional Commissioner of Commercial Taxes etc.

^ Period block shall indicate the period interval in which all the disputes under that authority have taken place.

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 10 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Bharat Petroleum Corporation Limited ("the Corporation") on the standalone Ind AS financial statements as of and for the year ended 31st March 2018]

1	Area examined	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?		
	Observations/ Findings	Particulars	Area (In Acres)	Remarks
		Freehold Land	1,161.02	Documents of title not available for verification
		Freehold Land	6.97	Documents of title as informed lying with registration authorities
		Note: The above list does not include immovable properties classified as Operating Lease in Ind AS Financial Statements.		
2	Area examined	Whether there are any cases of waiver/ write off of debts/ loans/ interest etc., if yes, with reasons there for and amount involved.		
	Observations/ Findings	The details of cases of waiver/ write off of debts/ loans/ interest by the Corporation during the year are as under:		
		Particulars	₹ in Crore	Remarks
		Write off of debts	1.26	Write offs approved as per 'Delegation of Authority' of the Corporation
		Write off/Waiver of interest	4.19	
		Write off of Other claims	0.01	
3	Area Examined	Whether proper records are maintained for inventories lying with third parties and assets received as gift/ grant(s) from Government or other authorities?		
	Observations/ Findings	<ul style="list-style-type: none"> Proper records are maintained for inventories lying with third parties; The Corporation has not received any assets as gift/ grants from Government or other authorities. 		

For CVK & Associates

Chartered Accountants
ICAI FRN: 101745W

Sd/-

A. K. Pradhan

Partner

Membership No.: 032156

For Borkar & Muzumdar

Chartered Accountants
ICAI FRN: 101569W

Sd/-

B. M. Agarwal

Partner

Membership No.: 033254

Place: Mumbai

Date: 29th May 2018

ANNEXURE C TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 11(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of Bharat Petroleum Corporation Limited on the standalone Ind AS financial statements for the year ended 31st March 2018]

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

We have audited the internal financial controls over financial reporting of Bharat Petroleum Corporation Limited ("the Corporation") as of 31st March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Corporation for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Corporation's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Corporation 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, 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 responsibility is to express an opinion on the Corporation's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, 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 Corporation's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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 financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Corporation has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2018, based on the internal control over financial reporting criteria established by the Corporation considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For CVK & Associates

Chartered Accountants
ICAI FRN: 101745W

Sd/-

A. K. Pradhan

Partner

Membership No.: 032156

For Borkar & Muzumdar

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B. M. Agarwal

Partner

Membership No.: 033254

Place: Mumbai

Date: 29th May 2018