

Independent Auditors' Report

TO THE MEMBERS OF HINDUSTAN PETROLEUM CORPORATION LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of HINDUSTAN PETROLEUM CORPORATION LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss 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 financial statements of Visakh Refinery, audited by the branch auditor, whose report has been considered in preparing this report.

Management's Responsibility for the Financial Statements

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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 at March 31, 2016, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

- We refer to note no. 58 which indicates that the Company has less than the minimum number of Independent Directors required in terms of the provisions contained in the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013. Pending such appointment, these financial statements have been reviewed and recommended to the Board of Directors by the Audit Committee consisting of only one Independent Director; and
- We refer to note no. 41 in connection with 21 Un-incorporated Joint Ventures (UJVs) involved in exploration activities, of which majority of UJVs are under relinquishment. The attached financial statements include Company's proportionate share in Assets and Liabilities, Income and Expenditure amounting to ₹ 19.98 crores and ₹ 123.41 crores, ₹ 0.47 crores and ₹ 20.22 crores respectively, as at March 31, 2016. In respect of these UJVs, the audited accounts are not available with the Company. The financial information has been incorporated based on un-audited financial statements / data received from the respective operators.

Our opinion is not modified in respect of these matters.

Independent Auditors' Report

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 and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;
 - (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 are disqualified in terms of provisions contained in the said section;
 - (g) With respect to the adequacy of the Internal Financial Controls over Financial Reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure III.
 - (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, 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 financial statements – Refer Note 55 to the standalone 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

For CVK & Associates
Chartered Accountants
 Firm Registration No.: 101745W

Sd/-
 Atul Shah
Partner
 Membership No.: 039569

Sd/-
 A.K. Pradhan
Partner
 Membership No.: 032156

Place: New Delhi
 Dated : 27th May 2016

Independent Auditors' Report

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 fixed assets.
- (b) The fixed assets 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 fixed assets, 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 at March 31, 2016	Net Block as at March 31, 2016	Remarks
Freehold Land	59	5.12	5.12	Title Deeds not available for verification
Leasehold Land	4	0.30	0.13	Title Deeds not available for verification
Leasehold Land	4	195.18	145.76	Legal formalities of registration of lease deeds pending
Jointly owned land – Lease hold	1	7.21	5.31	Legal formalities of conclusion and registration of joint ownership agreement pending
Total	68	207.81	156.32	
Buildings	11	4.95	3.15	Title Deeds not available for verification

- (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 except old cases under dispute aggregating to ₹ 0.02 crores where the Company has complied with necessary directions. During the year, the said amount has been transferred to Investor Education and Protection Fund. 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 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 including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, 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 at March 31, 2016 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	Amount in Crores	Period to which amount relates
Customs	Tribunal**	12.16	1998 to 2011
	Appellate Authority*	2.15	1996 to 2015
	Supreme Court	40.78	2005 to 2007
	Total	55.09	

Independent Auditors' Report

Statute	Forum pending	Amount in Crores	Period to which amount relates
Central Excise	Tribunal**	325.50	1994 to 2015
	Adjudicating Authority ***	23.50	2004 to 2009
	Revision Authority	1.08	1999 to 2012
	High Court	3.95	1992 to 2008
	Appellate Authority*	12.04	1996 to 2015
	Total	366.07	
Sales tax/ Entry tax	Board of Revenue	3.07	2003 to 2013
	Appellate Authority*	3,085.13	1996 to 2015
	Adjudicating Authority ***	6.65	1985 to 2008
	Supreme Court	64.25	2002 to 2004, 2006 to 2008
	High Court	933.94	1979 to 2014
	Objection Hearing Authority	18.04	2008 to 2012
	Appellate & Revisional Board	0.57	2009 to 2010
	Tribunal**	5,315.95	1985 to 2011
	Total	9,427.60	
Service Tax	Appellate Authority*	0.80	1996 to 2015
	Tribunal**	67.45	2002 to 2013
	High Court	3.75	1981 to 2010
	Total	72.00	
Income Tax	Tribunal**	0.17	2006 to 2011
	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.
- (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 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 material fraud by the Corporation or on the Corporation 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 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 financial statements as required by the applicable 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

Place: New Delhi

Dated: 27th May, 2016

For CVK & Associates

Chartered Accountants

Firm Registration No.: 101745W

Sd/-

A.K. Pradhan

Partner

Membership No.: 032156



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 explanation given to us, we give below a report on the directions issued by the Comptroller and Auditor General of India in terms of 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.	<p>Based on the verification of the records of the Company and as reported in Annexure I para 1(c) of this report, the Company does not have the original clear title deeds in respect of 68 freehold land /lease hold lands. The details of area of such land as complied by the management is as under:</p> <table><tr><th>Particulars</th><th>No. of Cases</th><th>Acres</th><th>Remarks</th></tr><tr><td>Freehold Land</td><td>59</td><td>294.91</td><td>Title Deeds not available for verification</td></tr><tr><td>Leasehold Land</td><td>4</td><td>35.86</td><td>Title Deeds not available for verification</td></tr><tr><td>Leasehold Land</td><td>4</td><td>306.00</td><td>Legal formalities of registration of lease deeds pending</td></tr><tr><td>Jointly owned land – lease hold</td><td>1</td><td>37.00</td><td>Legal formalities of conclusion and registration of joint ownership agreement pending</td></tr><tr><td>Total</td><td>68</td><td></td><td></td></tr></table>	Particulars	No. of Cases	Acres	Remarks	Freehold Land	59	294.91	Title Deeds not available for verification	Leasehold Land	4	35.86	Title Deeds not available for verification	Leasehold Land	4	306.00	Legal formalities of registration of lease deeds pending	Jointly owned land – lease hold	1	37.00	Legal formalities of conclusion and registration of joint ownership agreement pending	Total	68		
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Total	68																									
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 is waived from Customers on merit of each case by approving authority. During the year, the Company has written off ₹ 9.62 crores. This includes ₹ 6.75 crores in respect of recoveries on account of Additional Sales tax on CST sales which is not recoverable as per the determination order passed by the Office of the Commissioner of Commercial taxes, West Bengal.																								
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift / grant(s) from Government or other authorities.	<p>a. Proper records are maintained for inventories lying with third parties.</p> <p>b. During the year, the Company has not received any assets as gifts from Government or other authorities.</p>																								

For G. M. Kapadia & Co.

Chartered Accountants

Firm Registration No.: 104767W

Sd/-

Atul Shah

Partner

Membership No.: 039569

For CVK & Associates

Chartered Accountants

Firm Registration No.: 101745W

Sd/-

A.K. Pradhan

Partner

Membership No.: 032156

Place: New Delhi

Dated: 27th May, 2016



Independent Auditors' Report

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 over Financial Reporting 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 **HINDUSTAN PETROLEUM CORPORATION LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone 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 based on the internal control over financial reporting 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 (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 responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company'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, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and



Independent Auditors' Report

such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting 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 over financial reporting insofar as it relates 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 sent to us and have 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

For CVK & Associates

Chartered Accountants

Firm Registration No.: 101745W

Sd/-

A.K. Pradhan

Partner

Membership No.: 032156

Place: New Delhi

Dated: 27th May, 2016