SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS
These financial statements have been prepared to comply with the Generally Accepted Accounting Principles in India (Indian GAAP), including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

The financial statements are prepared on accrual basis under the historical cost convention, except for certain Fixed Assets which are carried at revalued amounts. The financial statements are presented in Indian rupees rounded off to the nearest rupees in crore.

B. USE OF ESTIMATES
The preparation of financial statements in conformity with Indian GAAP requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities, disclosure of contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known/materialised.

C. FIXED ASSETS
Tangible Assets
Tangible Assets are stated at cost net of recoverable taxes, trade discounts and rebates and include amounts added on revaluation, less accumulated depreciation and impairment loss, if any. The cost of Tangible Assets comprises its purchase price, borrowing cost and any cost directly attributable to bringing the asset to its working condition for its intended use, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the assets.

Subsequent expenditures related to an item of Tangible Asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Projects under which assets are not ready for their intended use are disclosed under Capital Work-in-Progress.

Intangible Assets
Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortisation/depletion and impairment loss, if any. The cost comprises purchase price, borrowing costs, and any cost directly attributable to bringing the asset to its working condition for the intended use and net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the intangible assets.

D. LEASES
a) Operating Leases: Rentals are expensed on a straight line basis with reference to the lease terms and other considerations.

b) (i) Finance leases prior to 1st April, 2001: Rentals are expensed with reference to lease terms and other considerations.

(ii) Finance leases on or after 1st April, 2001: The lower of the fair value of the assets and present value of the minimum lease rentals is capitalised as Fixed Assets with corresponding amount disclosed as lease liability. The principal component in the lease rental is adjusted against the lease liability and the interest component is charged to Profit and Loss Statement.

c) However, rentals referred to in (a) or (b) (i) above and the interest component referred to in (b) (ii) above, pertaining to the period upto the date of commissioning of the asset are capitalised.

E. DEPRECIATION, AMORTISATION AND DEPLETION
Tangible Assets
Depreciation on Fixed Assets is provided to the extent of depreciable amount on the Written Down Value (WDV) Method except in case of assets pertaining to Refining segment and SEZ units / developer where depreciation is provided on Straight Line Method (SLM). Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II are used;
SIGNIFICANT ACCOUNTING POLICIES

<table>
<thead>
<tr>
<th>Particular</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Bed Catalyst (useful life: 2 years or more)</td>
<td>Over its useful life as technically assessed</td>
</tr>
<tr>
<td>Fixed Bed Catalyst (useful life: up to 2 years)</td>
<td>100% depreciated in the year of addition</td>
</tr>
<tr>
<td>Assets acquired from 1st April, 2001 under finance lease</td>
<td>Over the period of lease term</td>
</tr>
<tr>
<td>Premium on Leasehold Land</td>
<td>Over the period of lease term</td>
</tr>
</tbody>
</table>

In respect of additions or extensions forming an integral part of existing assets and insurance spares, including incremental cost arising on account of translation of foreign currency liabilities for acquisition of Fixed Assets, depreciation is provided as aforesaid over the residual life of the respective assets.

Intangible Assets
These are amortised as under:

<table>
<thead>
<tr>
<th>Particular</th>
<th>Amortisation / Depletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Know-How</td>
<td>Over the useful life of the underlying assets</td>
</tr>
<tr>
<td>Computer Software</td>
<td>Over a period of 5 years</td>
</tr>
<tr>
<td>Development Rights</td>
<td>Depleted in proportion of oil and gas production achieved vis-a-vis the proved reserves (net of reserves to be retained to cover abandonment costs as per the production sharing contract and the Government of India's share in the reserves, where applicable) considering the estimated future expenditure on developing the reserves as per technical evaluation</td>
</tr>
<tr>
<td>Others</td>
<td>Over the period of agreement of right to use, provided that in case of jetty, the aggregate amount amortised to date is not less than the aggregate rebate availed by the Company.</td>
</tr>
</tbody>
</table>

F. IMPAIRMENT
An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Statement in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

G. FOREIGN CURRENCY TRANSACTIONS
a. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.

b. Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of items which are covered by forward exchange contracts, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

c. Non-monetary foreign currency items are carried at cost.

d. In respect of integral foreign operations, all transactions are translated at rates prevailing on the date of transaction or that approximates the actual rate at the date of transaction. Monetary assets and liabilities are restated at the year end rates.

e. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Statement, except in case of long term liabilities, where they relate to acquisition of Fixed Assets, in which case they are adjusted to the carrying cost of such assets.

H. INVESTMENTS
Current investments are carried at lower of cost and quoted/fair value, computed category-wise. Non Current investments are stated at cost. Provision for diminution in the value of Non Current investments is made only if such a decline is other than temporary.

I. INVENTORIES
Items of inventories are measured at lower of cost and net realisable value after providing for obsolescence, if any, except in case of by-products which are valued at net realisable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs including manufacturing overheads incurred in bringing them to their respective present location and condition.
SIGNIFICANT ACCOUNTING POLICIES

Cost of raw materials, process chemicals, stores and spares, packing materials, trading and other products are determined on weighted average basis.

J. REVENUE RECOGNITION
Revenue is recognised only when risks and rewards incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection. Revenue from operations includes sale of goods, services, service tax, excise duty and sales during trial run period, adjusted for discounts (net), and gain/loss on corresponding hedge contracts.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

EXCISE DUTY / SERVICE TAX
Excise duty / Service tax is accounted on the basis of both, payments made in respect of goods cleared / services provided and provisions made for goods lying in bonded warehouses.

K. EMPLOYEE BENEFITS
Short Term Employee Benefits
The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period when the employees render the services. These benefits include performance incentive and compensated absences.

Post-Employment Benefits
Defined Contribution Plans
A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to a separate entity. The Company makes specified monthly contributions towards Provident Fund, Superannuation Fund and Pension Scheme. The Company’s contribution is recognised as an expense in the Profit and Loss Statement during the period in which the employee renders the related service.

Defined Benefit Plans
The liability in respect of defined benefit plans and other post-employment benefits is calculated using the Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employees’ services.

Actuarial gains and losses in respect of post-employment and other long term benefits are charged to the Profit and Loss Statement.

Employee Separation Costs
Compensation to employees who have opted for retirement under the voluntary retirement scheme of the Company is charged to the Profit and Loss Statement in the year of exercise of option by the employee.

L. BORROWING COSTS
Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit and Loss Statement in the period in which they are incurred.

M. RESEARCH AND DEVELOPMENT EXPENSES
Revenue expenditure pertaining to research is charged to the Profit and Loss Statement. Development costs of products are charged to the Profit and Loss Statement unless a product’s technological feasibility has been established, in which case such expenditure is capitalised.

N. FINANCIAL DERIVATIVES AND COMMODITY HEDGING TRANSACTIONS
In respect of derivative contracts, premium paid, gains/losses on settlement and losses on restatement are recognised in the Profit and Loss Statement except in case where they relate to the acquisition or construction of Fixed Assets, in which case, they are adjusted to the carrying cost of such assets.
SIGNIFICANT ACCOUNTING POLICIES

O. INCOME TAXES
Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates. Deferred income tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future income will be available except that deferred tax assets, in case there are unabsorbed depreciation or losses, are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same.

Deferred tax assets and liabilities are measured using the tax rates and tax law that have been enacted or substantively enacted by the Balance Sheet date.

P. PREMIUM ON REDEMPTION OF BONDS / DEBENTURES
Premium on redemption of bonds/debentures, net of tax impact, are adjusted against the Securities Premium Reserve.

Q. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Provision is recognised in the accounts when there is a present obligation as a result of past event(s) and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements.

R. ACCOUNTING FOR OIL AND GAS ACTIVITY
The Company has adopted Full Cost Method of accounting for its' Oil and Gas activities and all costs incurred are accumulated considering the country as a cost centre. Costs incurred on acquisition of interest in oil and gas blocks and on exploration and evaluation are accounted for as Intangible Assets under Development. Upon a reserve being either ‘proved’ or deemed to be ‘dry’, the costs accumulated in Intangible Assets under Development are capitalised to intangible assets. Development costs incurred thereafter in respect of ‘proved’ reserves are capitalised to the said intangible asset. All costs relating to production are charged to the Profit and Loss Statement.

Oil and Gas Joint Ventures are in the nature of Jointly Controlled Assets. Accordingly, assets and liabilities as well as income and expenditure are accounted on the basis of available information on a line-by-line basis with similar items in the Company’s financial statements, according to the participating interest of the Company.