

# Independent Auditors' Report

## To the Members of Reliance Industries Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying Consolidated Financial Statements of Reliance Industries Limited which includes joint operations (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates and joint ventures comprising of the consolidated Balance sheet as at March 31, 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and joint ventures, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associates and joint ventures as at March 31, 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing (SAs), as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further

described in the 'Auditors' Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Group, its associates and joint ventures in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Consolidated Financial Statements.

Key audit matters	How our audit addressed the key audit matter
<b>A. Capitalisation and useful life of property, plant and equipment</b>	
(a) During the year ended March 31, 2021, the Holding Company has incurred capital expenditure on various projects included in capital work in progress and intangible assets under development. Further, items of property, plant and equipment that are ready for its intended use as determined by the management have been capitalized in the current year. Judgment is involved to determine that the aforesaid capitalization meet the recognition requirement under Ind AS specifically in relation to determination of whether the criteria for intended use of the management has been met.  Further, in the current year, the Holding Company has reassessed the useful life of its plant and machinery in the refinery from 25-35 years to 50 years. Assessment of useful life of plant and machinery involves management judgment, technical assessment, consideration of historical experiences, anticipated technological changes, etc.  Accordingly, the above has been determined as a key audit matter.	(a) Our audit procedures included and were not limited to the following: <ul style="list-style-type: none"><li>• Examined the management assessment of the assumptions considered in estimation of useful life.</li><li>• Examined the useful economic lives with reference to the Company's historical experience and technical evaluation by third party specialist appointed by management.</li><li>• Assessed the objectivity and competence of the Company's external specialists involved in the process.</li><li>• Assessed the nature of the additions made to property, plant and equipment, intangible assets, capital work-in-progress and intangible asset under development on a test check basis to test whether they meet the recognition criteria as set out in para 16 to 22 of Ind AS 16 - Property, Plant and Equipment, including intended use of management.</li><li>• Assessed the impact recognized on account of the change in the useful life and disclosure made in the consolidated financial statements.</li></ul>

Key audit matters	How our audit addressed the key audit matter
<p>(b) The auditors of Reliance Jio Infocomm Limited ('RJIL'), a subsidiary of the Holding Company, have reported a key audit matter on amortisation/depreciation of spectrum costs and related tangible assets as it is a material item on the balance sheet of the subsidiary in value terms. Spectrum costs and the related tangible assets are amortised/depreciated to appropriately reflect the expected pattern of consumption of expected future economic benefits from continued use of the said assets. (Refer Note B.3 (c) and B.3 (e) of the consolidated financial statements). Determination of rate of amortisation/ depreciation in order to ensure compliance with the applicable Accounting Standards involve significant estimates and judgement and use of technology. Accordingly, it has been considered as a key audit matter.</p> <p>(c) The auditors of Jio Platform Limited ('JPL'), a subsidiary of the Holding Company have reported capitalization under Intangible Assets under Development as key audit matter as significant judgement is involved in identification of expenses that are directly attributable and reasonably allocable to development of intangible assets and timing of capitalization. Accordingly, it has been considered as a key audit matter.</p>	<p>(b) In respect of the key audit matter reported by the auditors of RJIL, we performed inquiry of the audit procedures performed by them to address the key audit matter. As reported by the subsidiary auditor, the following procedures have been performed by them: -</p> <ul style="list-style-type: none"> <li>• Testing controls over determination of expected economic benefits from the use of relevant assets and monitoring actual consumption thereof to true-up the expected pattern of consumption during an accounting period;</li> <li>• Involved internal telecom and information technology specialists to validate the expected pattern of consumption of the economic benefits emanating from the use of the relevant assets and the IT environment over the relevant application systems used in monitoring of actual consumption thereof;</li> <li>• Substantive testing procedures including, verifying the mathematical accuracy of computation of amortisation/ depreciation charge for the year.</li> </ul> <p>(c) In respect of the key audit matter reported to us by the auditors of JPL, we performed inquiry of the audit procedures performed by them to address the key audit matter. As reported to us by the subsidiary auditor, the following procedures have been performed by them:</p> <ul style="list-style-type: none"> <li>• Obtained understanding and evaluated the design and operating effectiveness of controls over identification of such costs and criterion for capitalisation of such intangible asset in compliance with Ind AS 38.</li> <li>• For the samples selected, verified the appropriateness of expenses capitalised.</li> <li>• Tested the source documentation to determine whether the expenditure is of capital nature and has been appropriately approved and segregated into appropriate categories. Reviewed operating expenses to determine appropriateness of accounting and criterion for capitalisation determined by the management including monitoring thereof for timing of capitalization.</li> <li>• Reviewed the reasonableness of management's assessment of the ability of intangible asset to generate future economic benefits with respect to expenses capitalised during the period.</li> </ul>

**B. Estimation of oil reserves, decommissioning liabilities, depletion charges and impairment evaluation of development rights**

Refer to Note 32.2 on proved reserves and production on product and geographical basis, Note C(A) on estimation of Oil and Gas reserves, Note B.3(t) on Accounting for Oil and Gas activity, Note C(B) on Decommissioning Liabilities, Note C(C) on Property Plant and Equipment/Intangible Assets and Note B.3(k) on Provisions and Note B.3(j) on impairment of non- financial assets and Note 18 of the consolidated financial statements.

The determination of the Holding Company's oil and natural gas reserves requires significant judgements and estimates to be applied. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells and commodity prices all impacts the determination of the Holding Company's estimates of oil and natural gas reserves.

Estimates of oil and gas reserves are used to calculate depletion charges for the Holding Company's oil and gas assets. The impact of changes in estimated proved reserves is dealt with prospectively by amortizing the remaining carrying value of the asset over the expected future production. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset's carrying values reported in the consolidated financial statements.

Our work included and were not limited to the following procedures:

- Performed walk-through of the estimation process associated with the oil and gas reserves.
- Assessed the valuation methodology, including assumptions around the key drivers of the cash flow forecasts including future oil and gas prices, estimated reserves, discount rates used, etc. by engaging valuation experts.
- Assessed the objectivity and competence of the Holding Company's specialists involved in the process and valuation specialists engaged by us.
- Assessed whether the updated oil and gas reserve estimates were included in the Holding Company's, accounting for amortization/depletion and disclosures of proved reserves and proved developed reserves in the consolidated financial statements.
- Tested the assumption used in determining the decommissioning provisions. Also compared these assumptions with the previous year and enquired for reasons for any variations.
- Reviewed the disclosure made by the Holding Company in the financial statements.

# Independent Auditors' Report

Key audit matters	How our audit addressed the key audit matter
<p>For the purpose of impairment testing, value in use has been determined by the management by considering estimates such as discount rates, reserves and volumes, future oil and gas natural prices etc, along with other macro-economic, business and financing factors.</p> <p>Further, the recognition and measurement of decommissioning provisions involves use of estimates and assumptions relating to timing of abandonment of well and related facilities which would depend upon the ultimate life of the field, expected utilization of assets by other fields, the scope of abandonment activity and pre-tax rate applied for discounting.</p> <p>Accordingly, the same is considered as a key audit matter.</p> <p>The auditors in the Combined Financial Statements of Shale Gas Entities (USA) of Reliance Industries Limited have also reported a key audit matter on the aforesaid topic.</p>	<ul style="list-style-type: none"> <li>• In respect of the key audit matter reported by the auditors in the Combined Financial Statements of Shale Gas Entities (USA) of Reliance Industries Limited, we performed inquiry of the audit procedures performed by them to address the key audit matter. As reported by the subsidiary auditor, the following procedures have been performed by them: -               <ul style="list-style-type: none"> <li>o As reported to us by the auditor, they have performed procedures in relation to the approach used; test of controls performed with regard to data input into the system for calculation of oil and gas reserves including the testing of IT controls and information provided by the entity (IPE) on the IT application used for reserve and well data management; audit report issued by external experts appointed by the subsidiary relating to the audit of the key data and assumptions used by the management for estimating the oil and gas reserve and the future net income as at the year-end; competence and objectivity of the external experts; calculation of the depletion charge and future net income using audited oil and gas reserves and reasonableness of the discount rate used by the subsidiary for calculating the future net income for impairment calculation.</li> <li>o As reported to us by the auditor, they have performed procedures in relation to the approach used; test of controls performed with regard to data input into the system for calculation of oil and gas reserves including the testing of IT controls and information provided by the entity (IPE) on the IT application used for reserve and well data management; audit report issued by external experts appointed by the subsidiary relating to the audit of the key data and assumptions used by the management for estimating the oil and gas reserve and the future net income as at the year-end; competence and objectivity of the external experts; calculation of the depletion charge and future net income using audited oil and gas reserves and reasonableness of the discount rate used by the subsidiary for calculating the future net income for impairment calculation.</li> </ul> </li> </ul>
<p><b>C. Litigation matters</b></p> <p>The Holding Company has certain significant ongoing legal proceedings for various complex matters with the Government of India and other parties, continuing from earlier years, which are as under:</p> <p><b>1. Matters in relation to Oil and Gas:</b></p> <p>(a) Disallowance of certain costs under the production sharing contract, relating to Block KG-DWN-98/3 and consequent deposit of differential revenue on gas sales from D1D3 field to the gas pool account maintained by Gail (India) Limited (Refer Note 32.3).</p> <p>(b) Claim against the Company in respect of gas said to have migrated from neighboring blocks (KGD6) (Refer Note 32.4(a)).</p> <p>(c) Claims relating to limits of cost recovery, profit sharing and audit and accounting provisions of the public sector corporations etc., arising under two production sharing contracts entered into in 1994 (Refer Note 32.4(b)).</p> <p>(d) Suit for specific performance of a contract for supply of natural gas before the Hon'ble Bombay High Court (Refer Note 32.4(c)).</p>	<p>Our audit procedures included and were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Assessed the management's position through discussions with the in-house legal expert and external legal opinions obtained by the Holding Company (where considered necessary) on both, the probability of success in the aforesaid cases, and the magnitude of any potential loss.</li> <li>• Discussed with the management on the development in these litigations during the year ended March 31, 2021.</li> <li>• Rolled out of enquiry letters to the Holding Company's legal counsel and noted the responses received.</li> <li>• Assessed the responses received from Holding Company's legal counsel by engaging our internal legal experts.</li> <li>• Assessed the objectivity and competence of the Holding Company's legal counsel involved in the process and legal experts engaged by us.</li> <li>• Reviewed the disclosures made by the Holding Company in the financial statements in this regard.</li> <li>• Obtained representation letter from the management on the assessment of these matters.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
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**2. Matter relating to trading in shares of Reliance Petroleum Limited ('RPL):**

(a) Special Appellate Tribunal judgement dated November 5, 2020, dismissing Company's appeal made in relation to order passed by the Securities and Exchange Board of India ('SEBI') under section 11B of the SEBI Act, 1992 (Refer Note 33(III)).

Due to complexity involved in these litigation matters, management's judgement regarding recognition and measurement of provisions for these legal proceedings is inherently uncertain and might change over time as the outcomes of the legal cases are determined.

Accordingly, it has been considered as a key audit matter.

**D. Fair Valuation of Investments**

As at March 31, 2021, the Holding Company has investments of ₹ 78,234 crore in the Equity and Preference Shares of Jio Digital Fiber Private Limited (JDFPL) and Summit Digital Infrastructure Private Limited ('SDIPL') (Formerly Reliance Jio Infratel Private Limited) which are measured at fair value as per Ind AS 109 read with Ind AS 113.

These investments are Level 3 investments as per the fair value hierarchy in Ind AS 113 and accordingly determination of fair value is based on a high degree of judgement and input from data that is not directly observable in the market. Further, the fair value is significantly influenced by the expected pattern of future benefits of the tangible assets of JDFPL (fiber assets) and SDIPL (tower assets). Refer Note 2 and Note 35A in the financial statements.

Accordingly, the same has been considered as a key audit matter.

Our audit procedures included and were not limited to the following:

- Reviewed the fair valuation reports provided by the management by involvement of internal specialist / external valuation experts.
- Assessed the assumptions around the cash flow forecasts including discount rates, expected growth rates and its effect on business and terminal growth rates used through involvement of the internal experts.
- Also involved internal experts to assess the Holding Company's valuation methodology and assumptions around the key drivers of the cash flow forecasts, applied in determining the recoverable amount.
- Discussed potential changes in key drivers as compared to previous year / actual performance with management to evaluate the inputs and assumptions used in the cash flow forecasts;
- Assessed the objectivity and competence of our internal expert and the Company's internal / external specialists involved in the process.
- Assessed the adequacy of disclosure in Note 2 and Note 35A in the financial statements.

**E. Impairment of assets of shale gas entities and recognition of deferred tax assets**

(a) The auditors in the Combined Financial Statements of Shale Gas Entities (USA) of Reliance Industries Limited have reported a key audit matter on impairment of assets. Based on the adverse changes in market environment, reduction in activity by operator and recent operational performance, the shale gas entities have impaired its assets in accordance with the requirements of Ind AS 36 - "Impairment of Assets", as the carrying amount of an asset exceeds its recoverable amount.

The shale gas entities have also evaluated certain contracts involving unavoidable costs based on contractual commitments.

The total impact in the consolidated statement of profit and loss is ₹ 15,691 crore and the same has been disclosed as an exceptional item in the consolidated statement of profit and loss (Note 29(b)).

(a) In respect of the key audit matter reported by the auditors in the Combined Financial Statements of Shale Gas Entities (USA) of Reliance Industries Limited, we performed inquiry of the audit procedures performed by them to address the key audit matter. As reported by the subsidiary auditor, the following procedures have been performed by them: -

- Tested the reasonableness of the assumptions used in calculating the future net income for impairment calculation and obligations towards onerous contracts.
- Verified the reasonableness of hydrocarbon rates used by the Company for calculating the future net income, by comparing it with the forecast provided by independent brokers.
- Verified the arithmetical accuracy of the calculations.
- Evaluated the reasonableness of the basis for recognition of Impairment and obligations under certain contracts involving unavoidable costs.
- Verified the underlying data used for calculation of Impairment with the reserve report issued by the external experts.
- Verified the underlying data used for calculation of obligation towards onerous contracts with the respective contracts.
- Evaluated the reasonableness of the reversal of deferred tax assets, which is the resultant impact of the charge towards Impairment and obligation towards onerous contracts.

# Independent Auditors' Report

Key audit matters	How our audit addressed the key audit matter
<p>(b) Consequent to recognition of impairment of assets as stated in point (a), the Holding Company has recognised deferred tax assets of ₹ 15,570 crore in respect of the difference between the book base and tax base of the investment in shale gas entities engaged in the business of exploration and production of oil and gas, in accordance with Ind AS 12 – Income Taxes. The same has been disclosed as an exceptional item in the consolidated statement of profit and loss (Note 29(b)) and recognition of the aforesaid deferred tax asset involves management judgement and estimates to determine whether there is a reasonable certainty to utilize the deferred tax assets against future capital gains. Accordingly, the same has been considered as a key audit matter.</p>	<p>(b) Our audit procedures included and were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Assessed the basis of recognition of deferred tax assets in accordance with Ind AS.</li> <li>• Obtained and assessed the management assumptions / judgements and mathematical accuracy for calculating the difference between the book base and tax base.</li> <li>• Evaluated the management assessment on future transactions including capital gain projections used in assessing the recoverability of deferred tax assets.</li> <li>• Assessed the adequacy of disclosure in Note 29(b) in the financial statements</li> </ul>
<p><b>F. Impairment of assets of subsidiaries of Reliance Industrial Investments and Holding Limited</b></p>	
<p>The auditor of Reliance Industrial Investments and Holdings Limited, ('RIIHL'), subsidiary of the Holding Company have reported a key audit matter on impairment of investment and loans given to subsidiaries as the recoverability assessment involves significant management judgement and estimates (Refer Note B.3 (j) of the consolidated financial statements). Though these investments and loans are eliminated at the consolidated level, the assets of the RIIHL subsidiaries are included on a line-by-line basis in the consolidated financial statements. Accordingly, the impairment of these assets is considered to be a key audit matter.</p>	<p>Our audit procedures included and were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtained and read the financial statements of RIIHL and its subsidiaries to identify whether any impairment has been recorded in the current year.</li> <li>• In respect of the key audit matter reported to us by the auditor of RIIHL, we performed inquiry of the audit procedures performed by them to address the key audit matter. As reported to us by the subsidiary auditor, the following procedures have been performed by them for material subsidiaries: - <ul style="list-style-type: none"> <li>o Assessment of the net worth of RIIHL subsidiaries/associates on the basis of latest available financial statements.</li> <li>o Assessment of the methodologies applied to ascertain the fair value or as the case may be, value in use of the assets of the subsidiaries/associates, where the net worth was negative.</li> <li>o Assessment of the input data and key assumptions used to determine the fair value of 'subsidiaries' assets, cash flow estimates including sensitivity analysis of key assumptions used.</li> </ul> </li> </ul>
<p><b>G. Revenue recognition</b></p>	
<p>The accounting policies of the Group for revenue recognition are set out in Note B.3 (q) to the consolidated financial statements.</p> <p>The auditors of Reliance Jio Infocomm Limited ('RJIL'), subsidiary of the Holding Company, have reported revenue recognition as a key audit matter due to the high volume of the transactions, high degree of IT systems involvement and considering that accounting for certain revenue streams and tariff schemes involve exercise of judgements and estimates regarding application of the revenue recognition accounting standards.</p> <p>The auditors of Consolidated Financial Statements of Reliance Retail Ventures Limited ('RRVL Group'), a subsidiary of the Holding Company, have reported revenue recognition as a key audit matter. RRVL Group trades in various consumption baskets on a principal basis with high volume of transactions and recognises full value of consideration on transfer of control of traded goods to the customers which most of the time coincides with collection of cash or cash equivalent from customers. Reconciliation of mode of payments with revenue recognised is identified as a key audit matter by their auditors. Further, RRVL Group renders various services on principal basis and recognises revenue at a point in time when the customer consumes the services rendered. Testing of whether the performance obligation is satisfied for such services is identified as a key audit matter by their auditors.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained and read the financial statements of RJIL and RRVL Group to identify whether the revenue recognition policies are included in the consolidated financial statements of the Group.</li> <li>• In respect of the key audit matter reported by the auditors of RJIL, we performed inquiry of the audit procedures performed by them to address the key audit matter. As reported by the subsidiary auditor, the following procedures have been performed by them:- <ul style="list-style-type: none"> <li>o Involvement of internal IT specialists and testing of the IT environment inter alia for access controls, change management and application specific controls over the subsidiary company's billing and other relevant support systems;</li> <li>o Evaluation and testing of the design and operating effectiveness of the relevant business process controls, inter-alia controls over the capture, measurement and authorisation of revenue transactions;</li> <li>o Testing collections and, the reconciliation between revenue per the billing system and the financial records and testing supporting documentation for manual journal entries posted in revenue;</li> <li>o Validation of significant judgements and estimates exercised by the management regarding the application of revenue recognition accounting standard with respect to certain revenue streams and tariff schemes, in accordance with Ind AS 115.</li> </ul> </li> </ul>

**Key audit matters**

Further, Reliance BP Mobility Limited ('RBML'), a subsidiary of the Holding Company, engages in selling of transportation fuels and lubricants from retail outlets. The Company recognises revenue on transfer of control of traded goods to the customers and revenue transactions which most of the times coincide with collection of cash or cash equivalents from the customer. Each retail outlets records and recognises revenue through the use of technology which involves multiple IT platforms, especially related to cash sales. Accordingly, this has been considered as key audit matter.

**How our audit addressed the key audit matter**

- In respect of the key audit matter reported to us by the auditors of RRVL Group, we performed inquiry of the audit procedure performed by them to address the key audit matter. As reported to us by the subsidiary auditor, the following procedure have been performed by them: -
  - o Evaluation of the design and testing of the operating effectiveness of internal controls (including test of details on representative sampling basis) relating to reconciliation of consideration with store sales by selection of samples from different stores and dates throughout the period of audit and reperformance of the reconciliation between store sales and the mode of payment collection report.
  - o Evaluation of the design and testing of the operating effectiveness of internal controls (including test of details on representative sampling basis) relating to recognition of revenue from rendering of services for ensuring revenue recognition at a point in time by way of customer acknowledgement of the consumption of such services and receipt of consideration.
- In respect of the key audit matter reported to us by the auditors of RBML, we performed inquiry of the audit procedure performed by them to address the key audit matter. As reported to us by the subsidiary auditor, the following procedure have been performed by them: -
  - o We evaluated the design and operating effectiveness of controls over the capture and measurement of revenue transactions, including evaluating the relevant IT systems;
  - o We examined the process and controls over the capture and assessment of the timing of revenue recognition for the products, as well as performed testing on a sample basis to support evidence;
  - o We tested a selection of Information Technology General Controls (ITGCs) supporting the integrity of the billing and cash collection systems' operation, including access, operations and change management controls;
  - o We have also reviewed that the control on reconciliation was operating effectively by selecting samples from different retail outlets and dates throughout the period of audit.
  - o We observed physical cash count at retail outlets on a sample basis and also tested the reconciliation with books.
  - o We examined the reconciliation between retail outlet sales and Mode of Payment collection report.

**H. Sale of investment in Reliance BP Mobility Limited ('RBML')**

During the year, the Holding Company's equity stake in Reliance BP Mobility Limited ('RBML'), erstwhile wholly owned subsidiary, is reduced by 49% on account of sale of 44.91% equity stake in RBML to BP Exploration (Alpha) Limited ('BP'), a non-related party. Further, BP has acquired additional 4.09% in RBML by way of subscribing to equity shares of RBML at ₹ 1,155 crore. Post the above transactions, the Holding Company continues to exercise control over RBML as it is exposed to, or has rights to variable returns from its involvement and can affect those returns through its control. Accordingly, RBML continues to be accounted as subsidiary in accordance with Ind AS 110 - Consolidated Financial Statements. Further, a gain on sale of investment of ₹ 4,966 crore (net of tax) is recorded and disclosed as an exceptional item in consolidated statement of profit and loss (Refer Note 29(a)).

Significant level of judgement is involved in control evaluation over RBML and also for accounting of changes in Holding Company's ownership in RBML in the consolidated statement of profit and loss as per Ind AS 110 - Consolidated Financial Statements.

As a result, the aforesaid matter was determined to be a key audit matter.

Our audit procedures included and were not limited to the following:

- Obtained and read the various agreements including joint venture agreement etc. and board resolution in respect of the said transaction.
- Assessed management position and basis with respect to control evaluation of RBML and accounting treatment for changes in Holding Company's ownership in RBML.
- Obtained and read the opinions obtained by the Holding Company from independent experts with respect to accounting for gain on sale of investment of RBML. Assessed the objectivity and independence of these experts.
- Assessed the accounting treatment and reviewed the disclosure made by the Company in the financial statements in this regard.

# Independent Auditors' Report

Key audit matters	How our audit addressed the key audit matter
<p><b>I. IT systems and controls over financial reporting</b></p> <p>We identified IT systems and controls over financial reporting as a key audit matter for the Holding Company because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes, specifically with respect to revenue and raw material consumption. Also, due to such large transaction volumes and the increasing challenge to protect the integrity of the Group's systems and data, cyber security has become more significant.</p> <p>Automated accounting procedures and IT environment controls, which include IT governance, IT general controls over program development and changes, access to programs and data and IT operations, IT application controls and interfaces between IT applications are required to be designed and to operate effectively to ensure accurate financial reporting.</p>	<p>Our procedures included and were not limited to the following:</p> <ul style="list-style-type: none"><li>• Assessed the complexity of the IT environment by engaging IT specialists and through discussion with the head of IT and internal audit and identified IT applications that are relevant to our audit.</li><li>• Assessed the design and evaluation of the operating effectiveness of IT general controls over program development and changes, access to programs and data and IT operations by engaging IT specialists.</li><li>• Performed inquiry procedures with the head of cybersecurity at the Holding Company in respect of the overall security architecture and any key threats addressed by the Company in the current year</li><li>• Assessed the design and evaluation of the operating effectiveness of IT application controls in the key processes impacting financial reporting of the Company by engaging IT specialists.</li><li>• Assessed the operating effectiveness of controls relating to data transmission through the different IT systems to the financial reporting systems by engaging IT specialists.</li></ul>
<p><b>J. Changes in presentation of segment information</b></p> <p>Based on internal reorganization, the chief operating decision maker revised its segment disclosure to combine the erstwhile Refining and Petrochemicals business segments into O2C segment. O2C segment comprises of entire oil-to-chemicals business of the Company consisting of refining, petrochemicals, fuel retail &amp; aviation fuel (majority interest only) and bulk wholesale marketing businesses together with its assets and liabilities.</p> <p>Segment information is a significant disclosure and change in segment presentation could be potential to influencing the economic decisions of the users of the financial statements. Accordingly, the same is considered as a key audit matter. Refer Note 36 of the consolidated financial statements.</p>	<p>Our audit procedures included and were not limited to the following:</p> <ul style="list-style-type: none"><li>• Obtained and read the notes approved by the Executive Committee (CODM) which records decisions made by the EC in review of business performance and allocation of resources to segments.</li><li>• Assessed the discrete financial information for the O2C segment.</li><li>• Assessed compliance with the disclosure requirements of Ind AS 108 including restatement of comparative segment information in the consolidated financial statements.</li></ul>

## Information Other than the Financial Statements and Auditors' Report Thereon"

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Consolidated Financial Statements and our auditors' report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its associates and joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its associates and joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the companies included in the Group and of its associates and joint ventures are responsible for assessing the ability of the Group and of its associates and joint ventures to continue as a going concern,

disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its associates and joint ventures are also responsible for overseeing the financial reporting process of the Group and of its associates and joint ventures.

## Auditors' Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates and joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

## Independent Auditors' Report

evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates and joint ventures to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associates and joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

- (a) The accompanying Consolidated Financial Statements include the financial statements and other financial information in respect of 22 subsidiaries which reflect total assets of ₹ 4,18,844 crore as at March 31, 2021, and total revenues of ₹ 2,36,231 crore and net cash outflows of ₹ 6,304 crore for the year ended on that date and the

financial statements and other financial information of an associate and 2 joint ventures which reflects Group's share of net loss after tax of ₹ 23 crore for the year ended March 31, 2021, which have been audited by one of the joint auditors, individually or together with another auditor.

- (b) We did not audit the financial statements and other financial information, in respect of 320 subsidiaries, a whose Ind AS financial statements include total assets of ₹ 4,89,600 crore as at March 31, 2021, and total revenues of ₹ 1,19,655 crore and net cash outflows of ₹ 4,414 crore for the year ended on that date and financial statements and other financial information of 99 associates and 30 joint ventures which reflects Group's Share of net profit after tax of ₹ 471 crore for the year ended March 31, 2021. These Ind AS financial statement and other financial information have been audited by other auditors, which financial statements, other financial information and auditors' reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, joint ventures and associates, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, joint ventures and associates, is based solely on the report(s) of such other auditors.
- (c) The accompanying Consolidated Financial Statements include unaudited financial statements and other unaudited financial information in respect of 7 subsidiaries, whose financial statements and other financial information reflect total assets of ₹ 3,405 crore as at March 31, 2021, and total revenues of ₹ 42 crore and net cash outflows of ₹ 1 crore for the year ended on that date and the unaudited financial statements and other unaudited financial information in respect of 7 associates and 21 joint ventures which reflects Group's share of net profit after tax of ₹ 73 crore for the year ended March 31, 2021. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries, joint ventures and associates, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, joint ventures and associates, is based solely on such unaudited financial statements and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group

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

## Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, associates and joint ventures, as noted in the 'other matters' paragraph we report, to the extent applicable, that:

- (a) We / the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Financial Statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated Financial Statements;
- (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiaries, associates and joint ventures, none of the directors of the Group's companies, its associates and joint ventures, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls with reference to these Consolidated Financial Statements of the Holding Company and its subsidiaries, associates and joint ventures, incorporated in India, refer to our separate Report in "Annexure 1" to this report;
- (g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, associates and joint ventures incorporated in India, the managerial remuneration for the year ended March 31, 2021 has been paid / provided by the Holding Company, its subsidiaries, associates and joint ventures incorporated in India to their directors in accordance with the provisions of Section 197 read with Schedule V to the Act;

- (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 and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates and joint ventures, as noted in the 'Other Matters' paragraph:
  - i. The Consolidated Financial Statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associates and joint ventures in its Consolidated Financial Statements - Refer Note 33 to the Consolidated Financial Statements;
 

Provision has been made in the Consolidated Financial Statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  - ii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, associates and joint ventures, incorporated in India during the year ended March 31, 2021 except for an amount of ₹ 1.76 crore which are held in abeyance due to pending legal cases.

### For **D T S & Associates LLP**

Chartered Accountants  
ICAI Firm Reg. Number:  
142412W/W100595

### per **T P Ostwal**

Partner  
Membership No.: 030848  
UDIN: 21030848AAAAAR7934

Mumbai  
Date: April 30, 2021

### For **SRBC & CO LLP**

Chartered Accountants  
ICAI Firm Reg. Number:  
324982E/E300003

### per **Vikas Kumar Pansari**

Partner  
Membership No.: 093649  
UDIN: 21093649AAAABK9194

Mumbai  
Date: April 30, 2021

# Independent Auditors' Report

## Annexure 1

To the Independent Auditors' Report of even date on the Consolidated Financial Statements of Reliance Industries Limited

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

In conjunction with our audit of the Consolidated Financial Statements of Reliance Industries Limited which includes joint operations as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of Reliance Industries Limited which includes joint operations (hereinafter referred to as the "Holding Company") and its subsidiaries, its associates and joint ventures, which are companies incorporated in India, as of that date.

### **Management's Responsibility for Internal Financial Controls**

The respective Board of Directors of the Holding Company, its subsidiaries, its associates and joint ventures, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Holding Company, its subsidiaries, its associates and joint ventures, which are companies incorporated in India, internal financial controls over financial reporting with reference to these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Consolidated Financial Statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Consolidated

Financial Statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Consolidated Financial Statements.

### **Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements**

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

### **Inherent Limitations of Internal Financial Controls over Financial Reporting with reference to these Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Consolidated Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with

reference to these Consolidated Financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors, as referred to in Other Matters paragraph below, the Holding Company, its subsidiaries, its associates and joint ventures, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these Consolidated Financial Statements and such internal financial controls over financial reporting with reference to these Consolidated Financial Statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

## Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these Consolidated Financial Statements of the Holding Company, in so far as it relates to separate financial statement of 219 subsidiaries, 48 associates and 15 joint ventures, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries, associates and joint ventures incorporated in India.

### For **D T S & Associates LLP**

Chartered Accountants  
ICAI Firm Reg. Number:  
142412W/W100595

### per **T P Ostwal**

Partner  
Membership No.: 030848  
UDIN: 21030848AAAAAR7934

Mumbai

Date: April 30, 2021

### For **S R B C & CO LLP**

Chartered Accountants  
ICAI Firm Reg. Number:  
324982E/E300003

### per **Vikas Kumar Pansari**

Partner  
Membership No.: 093649  
UDIN: 21093649AAAABK9194

Mumbai

Date: April 30, 2021