

CNK & Associates LLP

Chartered Accountants

3rd floor, Mistry Bhavan,

Dinshaw Vachha Road, Churchgate,

Mumbai - 400 020

Haribhakti & Co. LLP

Chartered Accountants

701, Leela Business Park,

Andheri Kurla Road, Andheri (East)

Mumbai - 400059

INDEPENDENT AUDITOR'S REPORT

To the Members of Bharat Petroleum Corporation Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BHARAT PETROLEUM CORPORATION LIMITED (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint venture companies ("JV") [except three JVs as mentioned in note no. 1.1 (c)-note (vi),(vii) of the consolidated financial statements] comprising of the Consolidated Balance Sheet as at 31st March, 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements" or "the CFS").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these CFS in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and of JVs 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. The respective Board of Directors of the Companies included in the Group and of JVs are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the respective entity and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that

AS



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, which have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

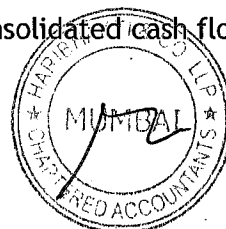
Our responsibility is to express an opinion on these CFS based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the 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 CFS are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the CFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the CFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the CFS that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the CFS. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (2) of the Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the CFS.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 consolidated state of affairs of the Group and its JVs as at 31st March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

AM



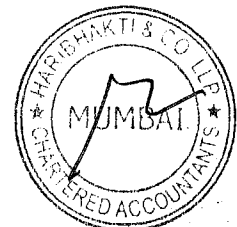
Emphasis of Matter

- (1) The auditors of a Subsidiary Company have stated in their report about the incorporation of details of its share in assets, liabilities, income and expense in the operations of jointly controlled entities based on the audited/ unaudited statements received from the respective Operators. They have observed that:
- (a) In case of one block, no audited statements have been received by the Company. Total assets, liabilities, income and expenses in respect of these blocks, amount to Rs. 61.18 crores, Rs. 0.57 crores, Rs. 0.01 crores and Rs. Nil, respectively;
 - (b) The audited statements referred above are prepared, as stated there in, to meet requirements of production sharing contracts and are special purpose statement;
 - (c) None of the statements, audited as well as unaudited, are drawn up in the format prescribed under Schedule III to the Act;
 - (d) Some of the Operators use accounting policies other than those adopted by the Company for like transactions. The Company has made appropriate adjustments while incorporating relevant data; and
 - (e) No break-up of assets and liabilities is available in respect of one block where the Company has invested Rs. 9.25 crores.

The said Subsidiary Company's proportionate share in jointly controlled assets, liabilities for which the Company is jointly responsible, Company's proportionate share of income and expenses for the year, the elements making up the Cash Flow Statement and related disclosures contained in the enclosed financial statements and their observations thereon are based on such audit reports and statements from the operators to the extent available with the said Subsidiary Company.

- (2) The auditors of a Subsidiary Company has drawn attention to the observation made by the auditors of its Subsidiary Company regarding the financial statements indicating that the Company has accumulated losses and negative net worth. The Company has incurred a net loss of Rs. 22.95 crores during the current year (Previous Year Loss Rs. 86.38 crores). These conditions, along with other matters indicate the existence of a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern.
- (3) We draw attention to note no. 51(j) to the CFS regarding recognition of Deferred Tax Assets of Rs. 635.22 crores (previous year Rs. 398.39 crores) on unabsorbed losses and unabsorbed depreciation by a JV;

AM



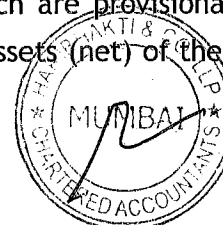
- (4) We draw attention to note no. 51(k) to the CFS in respect of accumulated losses in the Financial Statements of a JV. In view of the matters stated therein, the financial statements of this JV have been drawn up on going concern basis;
- (5) We draw attention to note no. 51(t) to the CFS wherein the promoters/ shareholders of a JV Company in their meeting of the 12th March, 2004 as noted in the JV Company's Board of Directors meeting on the 20th March, 2004 have unanimously opined that the continuation of this JV is not viable and to explore realization of investment.

Our Opinion is not modified in respect of these matters.

Other Matters

- (1) The auditors of JV of a Subsidiary Company have drawn attention to the fact that the said JV has spent significant amounts that are related mainly to exploration and evaluation costs, the recovery of which is subject to the success of all its exploration campaigns. The management of the said JV understands that the members of the JV will continue to provide the funds necessary for keeping the Company's operations and, therefore, the financial statements for the year ended December 31, 2014 were prepared based on the assumption that the Company will continue to operate as a going concern;
- (2) We did not audit the financial statements of two subsidiaries (and its step down subsidiaries and JVs), whose financial statements reflect total assets (net) of Rs. 4,784.60 crores as at March 31, 2015, total revenue of Rs. 9,963.22 crores and net cash outflow aggregating Rs. 583.65 crores for the year then ended. We also did not audit the financial statements of ten JVs, whose aggregate share of total assets (net) of Rs. 1,517.42 crores as at March 31, 2015 / December 31, 2014, total revenue of Rs. 19,852.80 crores and net cash outflow of Rs. 157.73 crores for the year then ended are also included in the CFS. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the CFS, insofar as it relates to the amounts and disclosures included in respect of these subsidiaries, and JVs, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries and JVs, is based solely on the reports of the other auditors.
- (3) The CFS include unaudited figures in respect of four JVs which are provisional / as approved by their Management. The aggregate share of total assets (net) of these JVs

AW



is Rs. 690.53 crores as at March 31, 2015, total revenue is Rs. 1,292.29 crores and net cash inflow is Rs. 2.36 crores for the year then ended. Our opinion on the CFS, , insofar as it relates to the amounts and disclosures included in respect of these JVs, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid JVs, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to these CFS.

Our opinion on the CFS 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 approved by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding Company, Subsidiary Companies and JVs incorporated in India to whom the Order is applicable and further based on our comments in respect of Companies which are unaudited, stated in clause (3) of Other Matters, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by sub-section (3) of Section 143 of the Act, we report, to the extent applicable, 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 of the aforesaid CFS. However, we have not received responses to the Group Audit instructions from the auditors of subsidiaries and JVs and hence we are unable to comment on its implications, if any;
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid CFS have been kept so far as it appears from our examination of those books and the reports of the other auditors;
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and working / records maintained for the purpose of preparation of the CFS;



Handwritten signature/initials



- (d) In our opinion, the aforesaid CFS comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors and report of the statutory auditors of the respective Companies of the Group and JVs incorporated in India, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act, except in respect of one subsidiary Company where the Statutory auditor of that Company has stated that as per notification no. G.S.R. 829 (E) dated October 21, 2003, the Government Companies are exempted from the provisions of Section 164(2) of the Act;
- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Group and its JVs have disclosed the impact of pending litigations, on its financial position in the CFS - Refer Note 56 of the CFS;
 - ii. The Group and its JVs have made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 51 of the CFS;



AW

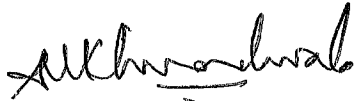


- iii. There has been no delay in transferring amounts, where required to be transferred, to the Investor Education and Protection Fund by the Group and its JVs.

For CNK & Associates LLP

Chartered Accountants

ICAI FRN. 101961W



Himanshu Kishnadwala

Partner

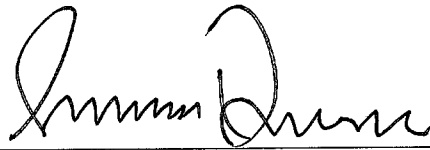
Membership No.: 37391

Mumbai: May 28, 2015

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FRN 103523W



Chetan Desai

Partner

Membership No.: 17000



ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Bharat Petroleum Corporation Limited ("the Corporation") on the consolidated financial statements for the year ended March 31, 2015]

With respect to Bharat Petroleum Corporation Limited ('Holding Company') and its subsidiaries and joint venture companies ("JV") incorporated in India and to whom the provisions of the Order apply ('Covered Entities'), we report as follows -

(i) (a) The Holding Company and the Covered Entities have maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) With respect to the Holding Company, as per information and explanations given to us, physical verification of fixed assets (except LPG Cylinders and pressure regulators with customers) has been carried out by the Management during the year in accordance with the phased programme of verification of all assets over three years which, in our opinion, is reasonable having regard to the size of the Corporation and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

In respect of a Subsidiary, the fixed assets are verified by the management in a phased manner designed to cover all items over a period of three years, which in the said Subsidiary's auditor's opinion is reasonable having regard to the size of the said Subsidiary and nature of its assets. Pursuant to the programme of verification of other fixed assets (Buildings, Plant & Machineries, Tanks & Pipelines, Railway Sidings, Dispensing tanks & Pumps & Vehicles) have been physically verified by the management during the year and the discrepancies noticed between book records and physical inventory, though not significant, have been duly adjusted in the books of account.

In respect of other Covered Entities, the respective managements have physically verified fixed assets as per regular programme for physical verification and no material discrepancies between book records and physical inventory were noticed.

(ii) (a) In respect of the Holding Company, the inventory (excluding stocks with third parties and goods in transit) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.



Handwritten signature



In respect of a Subsidiary, the inventories of finished goods, raw materials, and stores and spares, except those lying with contractors / third parties, have been physically verified by the Management and the frequency of verification is reasonable.

In respect of other Covered Entities, the physical verification of inventory has been conducted by the respective Management at reasonable intervals.

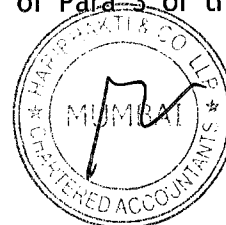
- (b) The procedures of physical verification of inventory followed by the Management of the Holding Company and the Covered Entities are reasonable and adequate in relation to their respective size and the nature of their respective business.
- (c) The Holding Company and the Covered Entities are maintaining proper records of inventory and no material discrepancies were noticed on physical verification of inventories carried out at the end of the year, except in respect of one Subsidiary where discrepancies noticed were not material and adjusted in the accounts.

In respect of six Covered Entities, the respective Company did not hold physical inventories during the year and thus provisions of Clause (ii) of Para 3 of the Order are not applicable to such Covered Entities.

- (iii) As informed, the Holding Company and the Covered Entities have not granted any loans, secured or unsecured to Companies, Firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions stated in paragraph 3 (iii)(a) and 3 (iii)(b) of the Order are not applicable, except in case of one covered entity which has granted unsecured loan to a Company listed in the register under section 189 of Act, for which outstanding amount of Rs. 0.46 crores has been fully provided for.
- (iv) In our opinion and according to the information and explanations given to us, there exists generally an adequate internal control system commensurate with the size of the Holding Company and the Covered Entities and the nature of their respective business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit by us and the auditors of other Covered Entities, any continuing failure to correct major weaknesses in internal control system has not been observed.

In respect of two Covered Entities, as they have not commenced commercial operation, there were no purchases of inventory and sale of goods and services. Therefore to that extent provisions of Clause (iv) of Para 3 of the Order is not applicable to these entities.

AJ



- (v) In our opinion and as explained to us, the Holding Company and the Covered Entities have complied with provisions of Sections 73 to 76 of the Act, read with The Companies (Acceptance of Deposits) Rules, 2014 and other relevant provisions of the Act;
- (vi) The books of account maintained by the Holding Company and the Covered Entities have been broadly reviewed by the respective auditors in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

In respect of three Covered Entities who have not commenced their commercial operations and three Covered Entities for whom the Central Government has not prescribed the maintenance of cost records in respect of the activities carried out by them, the provisions of Clause (vi) of Para 3 of the Order are not applicable.

- (vii) (a) The Holding Company and the Covered Entities are generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to them.

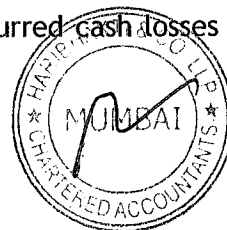
According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to the Holding Company and covered entities, were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (b) According to the information and explanation given to us, the dues outstanding with respect to, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to the Holding Company and the covered entities, on account of any dispute, are as per Annexure A1.
- (c) According to the information and explanations given to us, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and the covered entities.

- (viii) The Holding Companies and the Covered Entities do not have accumulated losses at the end of the financial year nor have they incurred cash losses in the current and immediately preceding financial year except -



AM



- (a) In respect of three Covered Entities the accumulated losses at the end of the financial year are more than fifty percent of their respective net worth. These entities have also incurred cash losses in current year and in the immediately preceding financial year.
- (b) In respect of one Covered Entity the accumulated losses are less than 50% of the net worth and it has not incurred cash losses in the current financial year but has incurred cash losses in the immediately preceding financial year.
- (c) In respect of two Covered Entities which are registered for a period less than five years, the provisions of Clause (viii) of Para 3 of the Order are not applicable.
- (ix) According to the information and explanations given to us, the Holding Company and the covered entities have been regular in the repayment of dues to financial institution(s), bank(s) or debenture holder(s).
- In respect of three Covered Entities there are no borrowings of any sums from financial institutions, banks or by way of debentures and to that extent provisions of Clause (ix) of Para 3 of the Order are not applicable.
- (x) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Holding Company, for loans taken by its JV from banks or financial institutions, are not prejudicial to the interest of the Holding Company.

In case of one Covered Entity there are no guarantees given for loans taken by others from banks or financial institutions. However, the said entity has entered into a Standby Letter of Credit (SBLC) facility agreement with number of Indian banks to the extent of \$1,750 million (Rs. 10,953.39 crores). As per the SBLC facility agreement, banks will issue SBLCs on behalf of its subsidiary for loans taken by the said subsidiary in favour of foreign currency lenders. As per the practice followed, all expenses are reimbursed by the said Subsidiary. As on the Balance Sheet date, SBLCs to the tune of \$959.62 million (Rs. 6,006.34 crores) have been issued. In opinion of the covered entity's auditors, such practice is not prima facie prejudicial to the interest of the said entity.

In case of one Covered Entity, Corporate Guarantees are given for Rs. 63.12 crores for loans taken by a Company from two other entities, but the terms and conditions of which are not prejudicial to the interest of such Covered Entity.

In case of nine Covered Entities who have not given any guarantees for loan taken by others from bank or financial institutions, the provisions of Clause (x) of Para 3 of the Order are not applicable.



MA



- (xi) According to the information and explanations given to us, the term loans of the Holding Company and the Covered Entities have been applied for the purpose for which the loans were obtained.

In case of five Covered Entities who do not have any term loans, the provisions of Clause (xi) of Para 3 of the Order are not applicable.

- (xii) During the course of our examination of the books and records of the Holding Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Holding Company, noticed or reported during the year, except for following instances of fraud identified by the management.

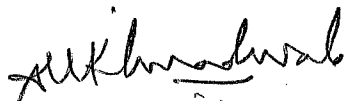
- a) The incident of an irregularity of Rs. 0.96 crores by a Company Owned Company Operated retail outlet operator. An amount of Rs. 0.88 crores has since been recovered. Legal action has been initiated for recovery of the balance amount.
- b) The incident of an irregularity of Rs. 0.15 crores relating to the Retail Territory by an officer. The officer concerned has since been dismissed from services of the Corporation. His dues and the transporter's dues have been withheld.

In case of the Covered Entities, no fraud on or by the company has been noticed or reported during the course of audit.

For CNK & Associates LLP

Chartered Accountants

ICAI FRN. 101961W



Himanshu Kishnadwala

Partner

Membership No.: 37391

Mumbai: May 28, 2015

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FRN 103523W



Chetan Desai

Partner

Membership No.: 17000



Annexure A1

Details of dues outstanding with respect to, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to the Holding Company and the covered entities, on account of any dispute

| Sr No | Name of the Statute | Forum Where Dispute is pending | Amount | Period to which it relates |
|-------|---|--------------------------------|-----------|----------------------------|
| 1 | Central Excise Act, 1944 | Supreme Court | 740.92 | 2000 to 2010 |
| | | High Court | 41.67 | 1995 to 2015 |
| | | Appellate Tribunal * | 1,185.14 | 1985 to 2015 |
| | | Appellate Authority ** | 96.75 | 1985 to 2015 |
| | | Adjudicating Authority *** | 6,161.87 | 1995 to 2015 |
| | | Total | 8,226.35 | |
| 2 | Customs Act, 1962 | Supreme Court | 27.34 | 1995 to 2010 |
| | | Appellate Tribunal * | 94.83 | 1990 to 2010 |
| | | Appellate Authority ** | 6.75 | 1995 to 2015 |
| | | Adjudicating Authority *** | 9.19 | 2005 to 2010 |
| | | Total | 138.11 | |
| 3 | Income Tax Act, 1961 Total | High Court | 7.65 | 1990 to 2005 |
| | | Appellate Tribunal * | 6.21 | 1990 to 2005 |
| | | Appellate Authority ** | 12.93 | 1995 to 2015 |
| | | Total | 26.79 | |
| | | | | |
| 4 | Sales Tax/Vat Legislations | Supreme Court | 190.15 | 1985 to 2010 |
| | | High Court | 332.00 | 1980 to 2015 |
| | | Appellate Tribunal * | 774.09 | 1985 to 2015 |
| | | Appellate Authority ** | 6,472.60 | 1985 to 2015 |
| | | Adjudicating Authority *** | 1,113.61 | 1990 to 2015 |
| | | Total | 8,882.45 | |
| 5 | Finance Act, 1994 (Service tax) | Supreme Court | 26.50 | 2005 to 2015 |
| | | Appellate Tribunal * | 161.15 | 2000 to 2015 |
| | | Appellate Authority ** | 7.56 | 2005 to 2015 |
| | | Adjudicating Authority *** | 73.86 | 2000 to 2015 |
| | | Total | 269.07 | |
| 6 | Bombay Provincial Municipal Corporation Act, 1949 | High Court | 50.29 | 1995 to 2015 |
| | | Total | 50.29 | |
| | | | | |
| | | Adjudicating Authority *** | 0.43 | 2010 to 2015 |
| | | Total | 0.43 | |
| 8 | Bombay Prohibition Act, 1949 | Appellate Tribunal * | 0.16 | 2005 to 2010 |
| | | Total | 0.16 | |
| | | | | |
| | | High Court | 1.86 | 2010 to 2015 |
| | | Total | 1.86 | |
| | | Grand Total | 17,595.51 | |

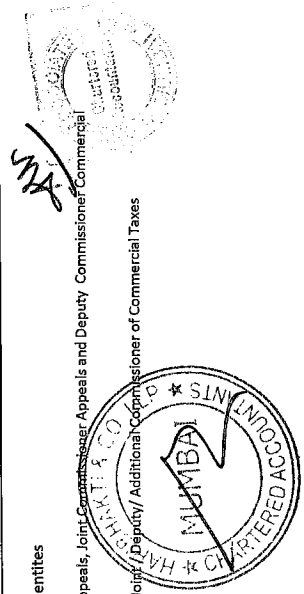
Dues include Penalty & Interest, wherever applicable

Dues in respect of covered entities are included to the extent of Holding Company's share in respective entities

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

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

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



CNK & Associates LLP

Haribhakti & Co. LLP

Chartered Accountants

Chartered Accountants

3rd floor, Mistry Bhavan,

701, Leela Business Park,

Dinsha Vachha Road, Churchgate,

Andheri Kurla Road, Andheri (East)

Mumbai - 400 020

Mumbai - 400 059

INDEPENDENT AUDITOR'S REPORT

To the Members of Bharat Petroleum Corporation Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Bharat Petroleum Corporation Limited ("the Corporation"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

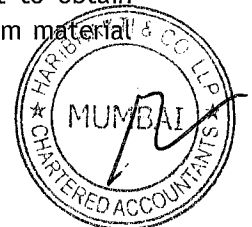
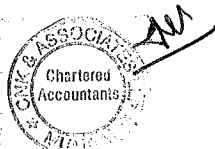
The Corporation's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation 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 Corporation and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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 there under.

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



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Corporation's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Corporation has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, as well as evaluating the overall presentation of the standalone financial statements.

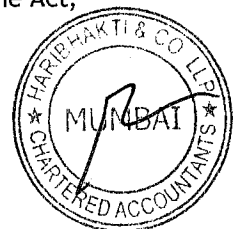
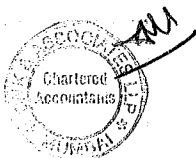
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

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 Corporation as at 31st March, 2015, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143 (5) of the Act, we give in Annexure B, a statement on the matters specified by the Comptroller and Auditor-General of India for the Corporation.
- (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 Corporation so far as it appears from our examination of those books;
 - c. 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;
 - d. 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;
 - e. On the basis of written representations received from the directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act;



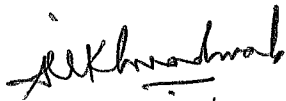

f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- (i) The Corporation has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note 50 of the standalone financial statements;
- (ii) The Corporation has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 51 of the standalone financial statements;
- (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Corporation.

For CNK & Associates LLP

Chartered Accountants

ICAI FRN. 101961W

Himanshu Kishnadwala

Partner


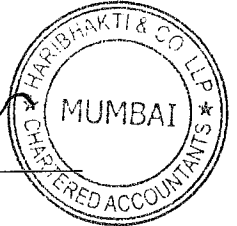
Membership No.: 37391

Mumbai: May 28, 2015

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FRN 103523W

Chetan Desai

Partner

Membership No.: 17000

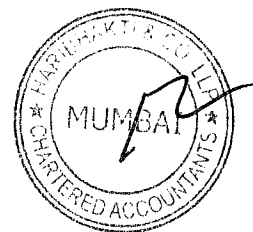
ANNEXURE A TO INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Bharat Petroleum Corporation Limited ("the Corporation") on the standalone financial statements for the year ended March 31, 2015]

- (i) (a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As per information and explanations given to us, physical verification of fixed assets (except LPG Cylinders and pressure regulators with customers) has been carried out by the Management during the year in accordance with the phased programme of verification of all assets over three years which, in our opinion, is reasonable having regard to the size of the Corporation and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (ii) (a) The inventory (excluding stocks with third parties and goods in transit) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Corporation and the nature of its business.
- (c) The Corporation is maintaining proper records of inventory and no material discrepancies were noticed on physical verification of inventories carried out at the end of the year.
- (iii) As informed, the Corporation has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions stated in paragraph 3 (iii)(a) and 3 (iii)(b) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists generally an adequate internal control system commensurate with the size of the Corporation and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the Corporation.
- (v) In our opinion and as explained to us, the Corporation has complied with provisions of Sections 73 to 76 of the Act read with The Companies (Acceptance of Deposits) Rules, 2014 and other relevant provisions of the Act.



Handwritten signature/initials



- (vi) We have broadly reviewed the books of account maintained by the Corporation in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (vii) (a) The Corporation is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it.
- According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the dues outstanding with respect to, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, on account of any dispute, are as per Annexure A1.
- (c) According to the information and explanations given to us, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Corporation.
- (viii) The Corporation does not have accumulated losses at the end of the financial year nor has incurred cash losses in the current and immediately preceding financial year.
- (ix) According to the information and explanations given to us, the Corporation has been regular in the repayment of dues to financial institution(s), bank(s) or debenture holder(s).
- (x) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Corporation, for loans taken by a joint venture company of the Corporation from banks or financial institutions, are not prejudicial to the interest of the Corporation.
- (xi) According to the information and explanations given to us, the term loans have been applied for the purpose for which the loans were obtained.
- (xii) 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, we have neither come across any instance of fraud on or by the Corporation, noticed or reported during the year, except for following instances of fraud identified by the management.

- a) The incident of an irregularity of Rs. 0.96 crore by a Company Owned Company Operated retail outlet operator. An amount of Rs. 0.88 crore has since been recovered. Legal action has been initiated for recovery of the balance amount.
- b) The incident of an irregularity of Rs. 0.15 crore relating to the Retail Territory by an officer. The officer concerned has since been dismissed from services of the Corporation. His dues and the transporter's dues have been withheld.

For CNK & Associates LLP

Chartered Accountants

ICAI FRN. 101961W

Himanshu Kishnadwala

Partner

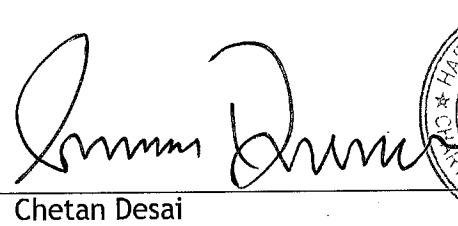
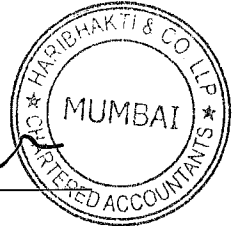
Membership No.: 37391

Mumbai: May 28, 2015

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FRN 103523W

Chetan Desai

Partner

Membership No.: 17000

Annexure A1

Details of dues outstanding with respect to, income tax, sales tax, wealth tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, on account of any dispute

| Sr No | Name of the Statute | Rupees in Crores | | |
|-------|---|--------------------------------|---------|----------------------------------|
| | | Forum Where Dispute is pending | Amount | Period block to which it relates |
| 1 | Central Excise Act, 1944 | Supreme Court | 740.92 | 2000 to 2010 |
| | | High Court | 41.67 | 1995 to 2015 |
| | | Appellate Tribunal * | 875.06 | 1985 to 2015 |
| | | Appellate Authority ** | 96.75 | 1985 to 2015 |
| | | Adjudicating Authority *** | 6161.87 | 1995 to 2015 |
| | Total | 7916.27 | | |
| 2 | Customs Act, 1962 | Supreme Court | 27.34 | 1995 to 2010 |
| | | Appellate Tribunal * | 94.83 | 1990 to 2010 |
| | | Appellate Authority ** | 5.65 | 1995 to 2015 |
| | | Adjudicating Authority *** | 9.19 | 2005 to 2010 |
| | | Total | 137.01 | |
| 3 | Income Tax Act, 1961 Total | High Court | 7.65 | 1990 to 2005 |
| | | Appellate Tribunal * | 6.21 | 1990 to 2005 |
| | | Appellate Authority ** | 11.38 | 1995 to 2015 |
| | | Total | 25.24 | |
| | | Supreme Court | 82.26 | 1985 to 2010 |
| 4 | Sales Tax/Vat Legislations | High Court | 331.97 | 1980 to 2015 |
| | | Appellate Tribunal * | 756.64 | 1985 to 2015 |
| | | Appellate Authority ** | 6459.02 | 1985 to 2015 |
| | | Adjudicating Authority *** | 1107.94 | 1990 to 2015 |
| | | Total | 8737.83 | |
| 5 | Finance Act, 1994 (Service tax) | Supreme Court | 26.5 | 2005 to 2015 |
| | | Appellate Tribunal * | 154.16 | 2000 to 2015 |
| | | Appellate Authority ** | 7.22 | 2005 to 2015 |
| | | Adjudicating Authority *** | 73.38 | 2000 to 2015 |
| | | Total | 261.26 | |
| 6 | Bombay Provincial Municipal Corporation Act, 1949 | High Court | 50.29 | 1995 to 2015 |
| | | Total | 50.29 | |
| | | Adjudicating Authority *** | 0.43 | 2010 to 2015 |
| 7 | Gujarath Municipal Tax Act, 1963 | Total | 0.43 | |
| | | Appellate Tribunal * | 0.16 | 2005 to 2010 |
| | | Total | 0.16 | |
| | Grand Total | 17128.49 | | |

Dues Include: Penalty & Interest, wherever applicable

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

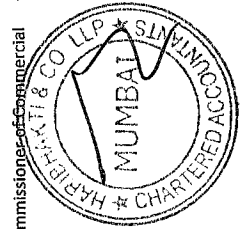
** Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals.

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

Taxes



MA



ANNEXURE B TO INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Bharat Petroleum Corporation Limited ("the Corporation") on the standalone financial statements for the year ended March 31, 2015]

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Bharat Petroleum Corporation Limited (Standalone) for the year 2014-15 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

According to the information and explanations given to us we report as under:

| Sr. No. | Areas Examined | Observation / Finding | | | | | | | | |
|------------------------------|--|---|-------------|------------------|--------------------|------|------------------------------|------|--------------|-------------|
| 1 | If the Corporation has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including committed and general reserves) maybe examined including the mode and present stage of disinvestment process. | The Corporation has not been selected for disinvestment during the year. | | | | | | | | |
| 2 | Please report whether there are any cases of waiver/ write off of debts/ loans/ interest etc., if yes, the reasons there for and the amount involved. | <p>The details of cases of waiver/ write off of debts / loans / interest by the Corporation during the year are as under:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rupees in crores</th> </tr> </thead> <tbody> <tr> <td>Write off of debts</td> <td>0.73</td> </tr> <tr> <td>Waiver of penalty & interest</td> <td>0.01</td> </tr> <tr> <td>Total</td> <td>0.74</td> </tr> </tbody> </table> | Particulars | Rupees in crores | Write off of debts | 0.73 | Waiver of penalty & interest | 0.01 | Total | 0.74 |
| Particulars | Rupees in crores | | | | | | | | | |
| Write off of debts | 0.73 | | | | | | | | | |
| Waiver of penalty & interest | 0.01 | | | | | | | | | |
| Total | 0.74 | | | | | | | | | |
| 3 | Whether proper records are maintained for inventories lying with third parties and assets received as gift from Government or other authorities | <p>a. Proper records are maintained for inventories lying with third parties;</p> <p>b. The Corporation has not received any assets as gifts from Government or other authorities.</p> | | | | | | | | |
| 4 | A report on age-wise analysis of pending legal / arbitration cases including the reasons for pendency and existence / effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given. | The age-wise analysis of pending legal / arbitration cases are as under: | | | | | | | | |

Handwritten signature



| Period | No of Active Cases |
|---------------|--------------------|
| Prior to 2004 | 571 |
| FY 2004-2009 | 747 |
| FY 2009-2012 | 792 |
| FY 2012-2014 | 1002 |
| FY 2014-2015 | 897 |
| Total | 4009 |

The above does not include pending legal cases concerning tax matters which are listed in Note 50 of the standalone financial statements and also referred to in clause vii (b) of Annexure A of this report.

Reasons of pendency:

Courts / Arbitrators are required to dispose of the cases as per procedure prescribed under law. Parties need to be given reasonable opportunity of being heard. Further, Law provides appeal before higher courts. Reasons for pendency vary from case to case.



Existence / effectiveness of monitoring system for expenditure on all legal cases (Foreign/Local)

There exists an effective monitoring system for expenditure on legal cases. As informed to us there are no legal or arbitration matters pending outside India.

For CNK & Associates LLP

Chartered Accountants

ICAI FRN. 101961W

Himanshu Kishnadwala

Partner

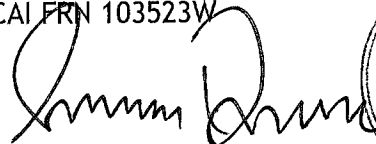
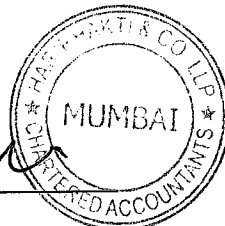
Membership No.: 37391

Mumbai: May 28, 2015

For Haribhakti & Co. LLP

Chartered Accountants

ICAI FRN 103523W

Chetan Desai

Partner

Membership No.: 17000