Notes to the Financial Statements
for the year ended March 31, 2020

1. COMPANY OVERVIEW

Hindustan Zinc Limited ("HZL" or "the Company") was incorporated on January 10, 1966 and has its registered office at Yashad Bhawan, Udaipur (Rajasthan). HZL's shares are listed on National Stock Exchange and Bombay Stock Exchange. The Company is engaged in exploring, extracting and processing of minerals.

HZL's operations include five zinc-lead mines, four zinc smelters, one lead smelter, one zinc-lead smelter, eight sulphuric acid plants, one silver refinery plant, six captive thermal power plants and three captive solar plants in the state of Rajasthan. In addition, HZL also has a rock-phosphate mine in Matoon, near Udaipur in Rajasthan and zinc, lead, silver processing and refining facilities in the state of Uttarakhand. The Company also has wind power plants in the states of Rajasthan, Gujarat, Karnataka, Tamil Nadu and Maharashtra and solar power plants in the state of Rajasthan.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Basis of preparation

The financial statements of the company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules 2015 (as amended from time to time) and presentation requirement of Division II of schedule III to the Companies Act 2013 (Ind AS compliant Schedule III), as applicable. The financial statements have been prepared on a historical cost convention on the accrual basis except for financial instruments which are measured at fair values (Refer note 3(a) below) and the provisions of the Companies Act, 2013 ('Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015, as amended.

Accounting policies have been consistently applied in all material aspects except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements were authorised for issue in accordance with a resolution of Board of Directors on May 21, 2020.

3.(I) SIGNIFICANT ACCOUNTING POLICIES

a) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to the Financial Statements

for the year ended March 31, 2020

b) Current and non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

c) Functional and presentation currency

The financial statements are prepared in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest Crores.

d) Revenue recognition

(i) Sale of goods

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods to the carriers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes. Revenues from sale of by-products are included in revenue.

Certain of the Company's sales contracts provide for provisional pricing based on the price on the London Metal Exchange (LME), as specified in the contract. Revenue in respect of such contracts is recognised when control passes to the customer and is measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the measurement period. Post transfer of control of goods, provisional pricing features are accounted in accordance with Ind AS 109 'Financial Instruments' rather than Ind AS 115 and therefore the Ind AS 115 rules on variable consideration do not apply. These 'provisional pricing' adjustments i.e. the consideration received post transfer of control are included in total revenue from operations on the face of the Statement of Profit and loss. Final settlement of the price is based on the applicable price for a specified future period. The Company's provisionally priced sales are marked to market using the relevant forward prices for the future period specified in the contract and is adjusted in revenue.

Revenue from freight and insurance services is recognised over the period during which services are rendered.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration when that right is conditional on Company's future performance.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Sale of wind energy
Revenue from sale of wind power is recognised when delivered and measured based on rates as per bilateral contractual agreements with buyers and at rate arrived at based on the principles laid down under the relevant Tariff Regulations as notified by the regulatory bodies, as applicable.

(iii) Dividends
Dividend income is recognised in the statement of profit and loss only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

(iv) Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(v) Others
Revenue relating to insurance claims and interest on delayed or overdue payments from trade receivable is recognised when no significant uncertainty as to measurability or collection exists.

e) Property, plant and equipment

(i) Property, plant and equipment other than mining properties
The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

The present value of the expected cost for the decommissioning of an asset and mine restoration after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Major machinery spares and parts are capitalised when they meet the definition of Property, Plant and Equipment. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the Statement of Profit and Loss in the period in which the costs are incurred. Major inspection and overhaul expenditure is capitalised.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/other expenses in the Statement of Profit and Loss.

Assets held for sale are carried at lower of their carrying value or fair value less cost to sell.

The cost includes the cost of replacing part of the plant and equipment when significant part of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repairs and maintenance cost are recognised in the Statement of Profit and Loss as incurred.

Government grant related to fixed asset is capitalised along with the asset that it relates to and depreciated over the life of the primary asset.

(ii) Mining properties
The costs of mining properties, which include the costs of acquiring and developing mining properties are capitalised as Property, Plant and Equipment under the heading "Mining properties" in the year in which they are incurred. When a decision is taken that a Mining property is viable for commercial production (i.e. when the Company determines that the Mining Property will provide sufficient and sustainable return relative to the risks and the Company decided to proceed with the mine development), all further pre-production primary development expenditure other than land, buildings, plant and equipment is capitalised as developing asset until the mining property are capable of commercial production. Revenue derived

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during the project phase is adjusted from the cost incurred on the project from which such revenue is generated. With respect to open pit operations, waste removal costs that are incurred in the open pit operations during the operational phase of these mines which provide improved access are recognised as assets. The cost of normal on-going operational stripping activities are recognised in the Statement of Profit and Loss as and when incurred.

When the benefit from the stripping costs are realised in the current period, the stripping costs are accounted as charge in statement of profit and loss account in deferred mining expenses head. Deferred stripping cost are included in mining properties within Property, Plant and Equipment and disclosed as a part of Mining properties. After initial recognition, the stripping activity asset is depreciated on a unit of production method over the expected useful life of the identified component of the ore body to which it improves access.

(iii) Capital work in progress (CWIP)

Assets in the course of construction are capitalised in capital work in progress account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalised in CWIP until the period of commissioning has been completed and the asset is ready for its intended use.

(iv) Depreciation

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible property and other equipment has been provided on the straight-line method.

- Depreciation has been provided over remaining useful life of the respective property, plant and equipment in respect of additions arising on account of insurance spares, on additions or extension forming an integral part of existing plants and on the revised carrying amount of assets identified as impaired.
- Mining properties are amortised, from the date on which they are first available for use, in proportion to the annual ore raised to the remaining commercial ore reserves (on a unit-of-production basis) over the total estimated remaining commercial reserves of each property or group of properties and are subject to impairment review. Commercial reserves are proved and probable reserves and any changes affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.
In the year of abandonment of mine, the residual balance in mining properties are written off. Costs used in the computation of unit of production comprises the net book value of the capitalised costs plus the future estimated costs required to be incurred to access the commercial reserves.
- Based on technical evaluation, the management believes that the useful lives as given below best represent the period over which the management expects to use the asset.

Assets	Useful life in years
Factory buildings	30 years
Residential buildings	60 years
Roads (included in buildings)	5-10 years
Computers and data processing equipment	3-6 years
Plant and Equipment (Including captive power plant)	8 years to 40 years
Railway sidings	15 years
Office equipment	5 years
Furniture and fixtures	10 years
Vehicles	8-10 years

The useful lives of the above assets are in line with the useful lives as prescribed under Part C of schedule II of the Companies Act, 2013, except plant and equipment pertaining to wind energy segment. The Company based on technical assessment made by technical experts and basis management estimate, depreciates these assets over estimated useful lives of 27 years over which the asset is expected to be used. The management believes that these estimated useful lives are realistic and reflect fair apportionment of the period over which the assets are likely to be used.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(v) Exploration & evaluation assets:

Exploration and evaluation expenditure incurred prior to obtaining the mining right or the legal right to explore are expensed as incurred.

Exploration and evaluation expenditure incurred after obtaining the mining right or the legal right to explore, are capitalised as exploration and evaluation assets (intangible assets) and stated at cost less impairment, if any. Exploration and evaluation assets are transferred to the appropriate category of property, plant and equipment when the technical feasibility and commercial viability has been determined. Exploration and evaluation assets are assessed for impairment and impairment loss, if any, is recognised prior to reclassification.

Exploration expenditure includes all direct and allocated indirect expenditure associated with finding specific mineral resources.

vi) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowings of the funds.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Intangible assets are amortised over their estimated useful life. Amounts paid for securing mining rights are amortised over the period of mining lease of 20 years. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss. when the asset is derecognised.

g) Impairment of non-financial assets

Impairment charges and reversals are assessed at the level of cash-generating units. A cash-generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment tests are carried out annually for all assets when there is an indication of impairment. The Company conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

If any such indication exists then an impairment review is undertaken, the recoverable amount is calculated, as the higher of fair value less costs of disposal and the asset's value in use.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post tax discount rate to arrive at the net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash

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flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit and Loss.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – recognition

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets except treasury investment that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Treasury investments are accounted for when the amount is settled in Bank account. For purposes of subsequent measurement, financial assets are classified in three categories:

- Debt instruments at amortised cost

A 'Debt instrument' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables.

- Debt instruments at fair value through other comprehensive income (FVTOCI)

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

- Debt instruments, derivatives and equity instruments at fair value through Statement of Profit or Loss (FVTPL)

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL.

However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (Referred to as 'accounting mismatch'). The Company has not invested in any equity instruments.

Debt instrument included within the FVTPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Financial assets - derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits and trade receivables
- Financial assets that are debt instruments and are measured as at FVTOCI

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original EIR.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss (P&L). This amount is reflected under the head 'other expenses' in the Statement of Profit and Loss (P&L). The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount

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is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities – recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ loss are not subsequently transferred to Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss.

- Financial Liabilities at amortised cost (Loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

Financial liabilities - derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Profit or Loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though Profit or Loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

i) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

In order to hedge its exposure to foreign exchange, interest rate, and commodity price risks, the Company enters into forward currency contracts, commodity contracts and other derivative financial instruments. The Company does not hold derivative financial instruments for speculative purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

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(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.
When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the Statement of Profit and Loss.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit and Loss.

Amounts recognised as OCI are transferred to Statement of Profit and Loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

j) Government grants, subsidies and export incentives

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs, which they are intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset and presented within other income.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

k) Inventories

Inventories are valued at the lower of cost and net realisable value, less any provision for obsolescence.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

(i) Ore, concentrate (mined metal), work-in-progress and finished goods (including significant by-products i.e. silver) are valued at lower of cost or net realisable value on weighted average basis.

(ii) Stores and spares are valued at lower of cost or net realisable value on weighted average basis.

(iii) Immaterial by-products, aluminium scrap, chemical lead scrap, anode scrap and coke fines are valued at net realisable value.

Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Notes to the Financial Statements

for the year ended March 31, 2020

l) Taxation

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

m) Retirement and other Employee benefit schemes

i. Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, performance incentives and compensated absences which are expected to occur in next twelve months. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Notes to the Financial Statements
for the year ended March 31, 2020

ii. Post-Employment Benefits

Gratuity

In accordance with the Payment of Gratuity Act of 1972, the Company contributes to a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to employees who have completed at least 5 years of service; at retirement, disability or termination of employment being an amount equal to 15 days' salary (based on the respective employee's last drawn salary) for every completed year of service.

Based on actuarial valuations conducted as at year end, a provision is recognised in full for the benefit obligation over and above the funds held in the Gratuity Plan.

In respect of defined benefit schemes, the assets are held in separately administered funds. In respect of defined benefit schemes, the cost of providing benefits under the plans is determined by actuarial valuation separately each year using the projected unit credit method by independent qualified actuary as at the year end.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the Statement of Profit and Loss in subsequent periods.

The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Provident Fund

The Company offers retirement benefits to its employees, under provident fund scheme which is a defined benefit plan. The Company and employees contribute at predetermined rates to 'Hindustan Zinc Limited Employee's Contributory Provident Fund' ('Trust') accounted on accrual basis and the conditions for grant of exemption stipulate that the employer shall make good the deficiency, if any, between the return guaranteed by the statute and actual earning of the Trust. The contribution towards provident fund is recognised as an expense in the Statement of Profit and Loss.

Family Pension

The Company offers its employees benefits under defined contribution plans in the form of family pension scheme. Contributions are paid during the year into the fund under statutory arrangements. The contribution to family pension fund is made at predetermined rates by the Company based on prescribed rules of family pension scheme. The contribution towards family pension is recognised as an expense in the Statement of Profit and Loss. The Company has no further obligation other than the contribution made.

Superannuation

Certain employees of the Company, who have joined post disinvestment are members of the Superannuation plan. The Company has no further obligations to the Plan beyond its monthly contributions which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India. The contribution is recognised as an expense in the Statement of Profit and Loss.

iii. Other Long-Term Employee Benefits

Compensated absences

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur. Actuarial differences are recognised immediately in the Statement of Profit and Loss.

n) Provision

Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

(i) Provision for Decommissioning

The Company recognises a provision for decommissioning costs of smelting and refining facilities. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is expensed as incurred and recognised in the Statement of Profit and Loss as a finance cost. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

The Company recognises provision for discontinuing of a smelting operation which is charged to the Statement of profit and loss. Management estimates are based on third party technical estimates. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate.

(ii) Provision for Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or on-going production of a mine. Such costs, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project as mining properties, as soon as the obligation to incur such costs arises. These costs are charged to the Statement of Profit and Loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision (considered as finance cost). The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate as per the depreciation policy.

Costs for the restoration of subsequent site damage, which is caused on an on-going basis during production, are charged to the Statement of Profit and Loss as extraction progresses. Where the costs of site restoration are not anticipated to be material, they are expensed as incurred.

o) Foreign currency translation

The functional currency for the Company is determined as the currency of the primary economic environment in which it operates. For the Company, the functional currency is the local currency of the country in which it operates, which is Indian Rupee.

In the financial statements of the Company, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at exchange rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined.

All exchange differences are included in the Statement of Profit and Loss except any exchange differences on monetary items designated as an effective hedging instrument of the currency risk of designated forecasted sales or purchases, which are recognised in the other comprehensive income.

p) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker i.e. CEO. Revenue and expenses are identified to segments on the basis of their relationship

Notes to the Financial Statements

for the year ended March 31, 2020

to the operating activities of the segment. Revenue, expenses, assets and liabilities which are not allocable to segments on a reasonable basis, are included under "Unallocated revenue/ expenses/ assets/ liabilities".

r) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(b) Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are also subject to impairment.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Other Financial Liabilities.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term money market deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above and additionally includes unpaid dividend account.

t) Investment in joint venture

Investments representing equity interest in joint ventures are carried at cost. A joint venture is a joint arrangement whereby the parties that

Notes to the Financial Statements

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have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

u) Buyers credit

The Company enters into arrangements where by financial institutions make direct payments to suppliers for goods and services. The financial institutions are subsequently repaid by the Company at a later date providing working capital timing benefits. These are normally settled up to twelve months. Where these arrangements are for goods used in the normal operations of the Company with a maturity of up to twelve months, the economic substance of the transaction is determined to be operating in nature and these are recognised as operational buyers' credit under Trade payables. Interest expense on these are recognised in the finance cost.

v) Provisions, contingent liabilities and contingent assets

The assessments undertaken in recognising provisions and contingencies have been made in accordance with the applicable Ind AS.

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in Statement of profit and loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the Balance Sheet.

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Financial guarantees are also provided in the normal course of business. There are certain obligations which management has concluded, based on all available facts and circumstances, are not probable of payment or are very difficult to quantify reliably, and such obligations are treated as Contingent liabilities and disclosed in the notes but are not reflected as liabilities in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings in which the Company is involved, it is not expected that such contingencies will have a material effect on its financial position or profitability.

Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefit is probable.

The Company has significant capital commitments in relation to various capital projects which are not recognised on the balance sheet.

3. (II) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards

The Company applied Ind AS 116 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Ind AS 116 - Leases

IND AS 116, Leases, replaces the existing standard on accounting for leases, IND AS 17, with effect from 01 April 2019. This standard introduces a single lessee accounting model and requires a lessee to recognise a 'right of use asset' (ROU) and a corresponding 'lease liability' for all leases. Lease costs are to be recognised in the income statement over the lease term in the form of depreciation on the ROU asset and finance charges representing the unwinding of the discount on the lease liability. In contrast, the accounting requirements for lessors remain largely unchanged.

The Company acts as a lessee in lease arrangements mainly involving office premises and other properties. The Company has elected

Notes to the Financial Statements
for the year ended March 31, 2020

to apply the modified retrospective approach on transition, and accordingly the comparative numbers have not been restated. For contracts in place as at 01 April 2019, the Company has continued to apply its existing definition of leases as under IAS 17 (“grandfathering”), instead of reassessing whether existing contracts are or contain a lease at that date. Further, the Company has elected to avail the exemption in IND AS 16 from applying the requirements of IND AS 16 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets of ₹38 Crore & ₹170 Crore respectively & also derecognised previously recorded rental repayments of ₹132 Crore on adoption of IND AS 116.

Prior period accounting policy: Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company’s general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2018 introducing/amending the following standards:

Uncertainty over income tax treatments
Appendix C of Ind AS 12 clarifies how to apply the recognition and measurement requirements in Ind AS 12 Income Taxes when there is uncertainty over income tax treatments. The clarification did not have a material effect on the Company’s financial statements so far as the recognition and measurement of income taxes is concerned. A consequential impact of the clarification is on the disclosure of contingent liabilities. The Company previously used to consider only those cases/matters for contingent liabilities wherever demand has been raised by the authorities/ initial assessment has been completed. The contingent liabilities have now been extrapolated to other years where a similar issue exists but formal demand has not been raised by tax authorities. Considering the impact of appendix C of Ind AS 12, the amounts of Income Tax disputes disclosed in note 28 and 30 of these financial statements would have been higher by ₹3,835 Crore as on April 01, 2019, as against the hitherto followed practice. As per the transitional provisions of Appendix C of Ind AS 12, the Company has not restated comparative information.

Amendments to Ind AS 109: Prepayment Features with Negative Compensation
The amendments to Ind AS 109 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Notes to the Financial Statements

for the year ended March 31, 2020

Amendments to Ind AS 19: Plan Amendment, Curtailment or Settlement:
The amendments to Ind AS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. The amendments had no impact on the financial statements of the Company.

Amendments to Ind AS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies Ind AS 109 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

The amendments also clarified that, in applying Ind AS 109, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying Ind AS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the financial statements as the Company does not have long-term interests in its associate and joint venture.

ANNUAL IMPROVEMENTS TO IND AS 2018

Ind AS 103 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after April 01, 2019.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

Ind AS 111 Joint Arrangements
An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in Ind AS 103. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after April 01, 2019.

These amendments had no impact on the financial statements of the Company.

Ind AS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after April 01, 2019.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Ind AS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after April 01, 2019.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Notes to the Financial Statements

for the year ended March 31, 2020

3(III) CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENT

The preparation of the financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent liabilities at the date of these financial statements. Actual results may differ from these estimates under different assumptions and conditions.

The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Information about estimates and judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

(A) Significant Estimates

(i) Mining property and Ore reserve

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. As a consequence of such an assessment made at the end of the current year, the Company has added new reserves and there is no material impact on the depreciation charge for the year due to this change.

(ii) Restoration, rehabilitation and environmental costs:

Provision is made for costs associated with restoration and rehabilitation of mining sites as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of extractive industries and they are normally incurred at the end of the life of the mine fields. The costs are estimated on annual basis on the basis of mine closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalised when incurred reflecting the Company's obligations at that time.

The provision for decommissioning liabilities (Refer note 16) is based on the current estimate of the costs for removing and decommissioning producing facilities, the forecast timing of settlement of decommissioning liabilities and the appropriate discount rate.

(iii) Assessment of Useful lives and consumption pattern of Property, Plant and Equipments:

The Company reviews the useful lives and consumption pattern of Property, Plant and Equipment at the end of each reporting period.

(iv) Timing of adoption of adoption of section 115BAA of the Income Tax Act, 1961:

Section 115BAA, of the Income Tax Act, allows companies to make an irrevocable choice to adopt a lower rate of tax of 25% plus applicable surcharge and cess as against the present tax rate of 30% plus surcharge and cess and also an exemption from paying the Minimum Alternate Tax, provided the Company forgoes tax holidays and certain tax exemptions and benefits. The law allows companies to make this election from anytime on or after the start of the financial year April 1, 2020. Based on the expected timing of exercising the said option, the Company has accounted for certain tax credits as detailed in Note 30.

(B) Significant Judgement

Contingencies:

In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Company. Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

While considering the possible, probable and remote analysis of taxation, legal and other claims, there is always a certain degree of judgement involved pertaining to the application of the legislation which in certain cases is supported by views of tax experts and/or earlier precedents in similar matters. Although there can be no assurance regarding the final outcome of the legal proceedings, the Company does not expect them to have a materially adverse impact on the Company's financial position or profitability.

4. PROPERTY, PLANT AND EQUIPMENT

(₹ in Crore)

Particulars	Freehold land	Buildings	Plant and equipment[1]	Furniture and fixtures	Vehicles	Office equipment	Railway siding	Mining properties [3]	Right of use [4]	Total
At Cost										
As at April 1, 2018	**296**	**1,392**	**15,513**	**31**	**38**	**235**	**94**	**2,877**	**-**	**20,476**
Additions [1]	32	221	2,602	3	8	21	-	2,491	-	5,378
Disposals/ adjustments	-	-	189	-	2	5	-		-	196
As at March 31, 2019	**328**	**1,613**	**17,926**	**34**	**44**	**251**	**94**	**5,368**	**-**	**25,658**
Additions [1&4]	1	295	1,630	3	8	52	-	1,714	170	3,873
Disposals/ adjustments	-	2	242	2	5	1	-	-	-	252
As at March 31, 2020	**329**	**1,906**	**19,314**	**35**	**47**	**302**	**94**	**7,082**	**170**	**29,279**
Accumulated depreciation										
As at April 1, 2018	**-**	**358**	**7,446**	**21**	**20**	**185**	**22**	**1,243**	**-**	**9,295**
Depreciation charge for the year [3]	-	59	769	2	4	16	5	1,025	-	1,880
Disposals/ adjustments	-	-	179	-	1	5	-	-	-	185
As at March 31, 2019	**-**	**417**	**8,036**	**23**	**23**	**196**	**27**	**2,268**	**-**	**10,990**
Depreciation charge for the year	-	87	892	2	5	21	6	1,247	6	2,266
Disposals/ adjustments	-	-	185	2	4	3	-	-	-	194
As at March 31, 2020	**-**	**504**	**8,743**	**23**	**24**	**214**	**33**	**3,515**	**6**	**13,062**
Net Book Value										
As at March 31, 2020	**329**	**1,402**	**10,571**	**12**	**23**	**88**	**61**	**3,567**	**164**	**16,217**
As at March 31, 2019	**328**	**1,196**	**9,890**	**11**	**21**	**55**	**67**	**3,100**	**-**	**14,668**

Notes to the Financial Statements

for the year ended March 31, 2020

Capital work in progress (2)

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Carrying amount of Capital work in progress	2,489	2,254

(1) Additions to plant & equipment includes finance cost capitalised of ₹41 Crore. (March 31, 2019: ₹60 Crore)

(2) During the year, the Company has capitalised the following expenses which are attributable to the construction activity and are included in the cost of capital work in progress (CWIP). Consequently, expenses disclosed under the respective notes are net of such amounts.

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Power and fuel charges	32	30
Repairs and Others	393	225
Consumption of stores and Spare parts	333	258
Employee Benefit Expenses	100	78
General Expenses	3	2
Insurance	1	3
Conveyance and travelling expenses	-	1
Finance Cost	65	103
Total	**927**	**700**

(3) During previous year, the Company has capitalised depreciation attributable to certain assets under development of ₹10 Crore. Accordingly, depreciation reported in Note 25 for the year ended March 31, 2019 of ₹1,870 Crore.

(4) Carrying amount of right-of-use assets recognised and the movements during the period is as below:

(₹ in Crore)

Particulars	Plant & machinery	Buildings	Land	Total
As at April 1, 2019	-	-	-	-
Additions*	28	4	138	170
Depreciation	(1)	(1)	(4)	(6)
As at March 31, 2020	**27**	**3**	**134**	**164**

* Assets capitalised on April 01, 2019 pursuant to adoption of IND AS 116.

5. INTANGIBLE ASSETS

(₹ in Crore)

Particulars	Computer software	Mining rights	Right to use asset*	Exploration & Evaluation asset	Total
At cost					
As at April 1, 2018	**45**	**67**	**69**	**-**	181
Additions	2	-	-	-	2
Disposals	-	-	-	-	-
As at March 31, 2019	**47**	**67**	**69**	**-**	183
Additions	1	-	42	112	155
Disposals	-	-	-	-	-
As at March 31, 2020	**48**	**67**	**111**	**112**	338
Amortisation					
As at April 1, 2018	**32**	**17**	**11**	**-**	60
Charge for the year	6	4	3	-	13
As at March 31, 2019	**38**	**21**	**14**	**-**	73
Charge for the year	4	4	5	-	13
As at March 31, 2020	**42**	**25**	**19**	**-**	86
Net Book Value					
As at March 31, 2020	**6**	**42**	**92**	**112**	252
As at March 31, 2019	**9**	**46**	**55**	**-**	110

* CSR assets

Notes to the Financial Statements

for the year ended March 31, 2020

6. LOANS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Unsecured, considered good		
Loans to employees	1	1
Security deposits	12	12
Total	**13**	**13**
Current		
Unsecured, considered good		
Loans to employees	2	3
Total	**2**	**3**

7. OTHER ASSETS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Unsecured, considered good		
Capital advances	217	245
Claims and other receivables (1)	263	260
Leasehold Land Prepayments	-	133
Total	**480**	**638**
Unsecured, credit impaired		
Claims and other receivables	13	12
Provision on doubtful deposits and claims	(13)	(12)
	-	-
Total	**480**	**638**
Current		
Unsecured, considered good		
Advance given to vendors for supply of goods and services	85	64
Balance with government authorities	197	206
Claims and other receivables (2)	40	39
Leasehold Land Prepayments	-	5
Total	**322**	**314**

(1) Includes ₹101 Crore as at March 31, 2020 (March 31, 2019 : ₹101 Crore) paid under protest on account of Entry tax dispute (see note 28). Balance pertains to Indirect taxes and royalty deposited under dispute with respect to various matters currently litigated in court of law and at various levels of adjudication.

(2) Includes ₹20 Crore (March 2019: ₹21 Crore) export benefit incentive receivable and ₹20 Crore (March 2019: ₹18 Crore) prepaid expenses.

Notes to the Financial Statements

for the year ended March 31, 2020

8. INVENTORIES*

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
a. Work in progress		
Ore	**44**	25
Mined Metal	**275**	222
Others	**561**	490
b. Finished goods [1]	**196**	48
c. Fuel Stock	**170**	185
[Including goods in transit ₹55 Crore (March 31, 2019: ₹78 Crore)]		
d. Stores and spare parts	**589**	574
[Including goods in transit ₹17 Crore (March 31, 2019: ₹32 Crore)]		
Total	**1,835**	**1,544**

* For method of valuation of inventories, Refer note 3(I)(k)

(1) Inventory held at net realisable value amounted to ₹4 Crore (March 31, 2019 : ₹12 Crore). The write down on this inventory of ₹8 Crore (March 31, 2019 : NIL) has been taken to Statement of Profit and Loss.

(2) The Company follows suitable provisioning norms for writing down the value of inventories towards slow moving, non-moving and surplus inventory. Provision for slow and non moving inventories created during the year is ₹29 Crore (March 31, 2019: ₹16 Crore).

9. INVESTMENTS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Measured at fair value through profit and loss		
Investment in bonds-quoted	**1,374**	1,393
Investment in zero coupon bonds- quoted	**8,908**	9,378
Investment in mutual funds-quoted	**5,068**	6,552
Investment in mutual funds-unquoted	**4,979**	2,165
Total	**20,329**	**19,488**
Aggregate amount of quoted investment at market value thereof	**15,350**	17,323
Aggregate amount of unquoted investment	**4,979**	2,165

10. TRADE RECEIVABLES [1][3]

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured		
Considered good [2]	**401**	196
Trade receivables- credit impaired	**1**	1
Provision for doubtful trade receivables	**(1)**	(1)
Total	**401**	**196**

(1) The average credit period given to customer ranges from zero to one hundred eighty days (March 31, 2019: zero to ninety days). Interest is charged on trade receivables for the credit period, from the date of the invoice at 7.1% to 12.50% (March 31, 2019: 8.50% to 14.50%) per annum on the outstanding balance. The balance of trade receivables as at April 01, 2018 net of provision of ₹1 Crore was ₹184 Crore.

(2) Unsecured considered good includes, ₹61 Crore (March 31, 2019: ₹43 Crore) due from wind energy segment's trade receivables. Unsecured trade receivable of ₹54 Crore (March 31, 2019: ₹119 Crore) are covered against Letter of credit and Bank Guarantees.

(3) Refer note 36 for details of related party balances and terms and conditions.

Notes to the Financial Statements
for the year ended March 31, 2020

11. CASH AND CASH EQUIVALENTS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks		
On current accounts	50	2
Deposits with original maturity of less than 3 months	819	-
Other Deposits with original maturity of less than 3 months [1]	1,009	-
Total	**1,878**	**2**

[1] Other deposit with original maturity of less than 3 months represents deposit with financial institutions other than banks.

For the purpose of statement of cash flows, cash and cash equivalents comprises the following:		
Cash and cash equivalents as above	1,878	2
Earmarked unpaid dividend account (Refer note 12)	20	21
Total	**1,898**	**23**

12. OTHER BANK BALANCES

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Bank deposits having maturity more than 3 months but not more than 12 months	20	-
Earmarked unpaid dividend accounts	20	21
Total	**40**	**21**

13. OTHER FINANCIAL ASSETS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Unsecured, considered good		
Security Deposits	36	38
Bank Deposits with more than 12 months maturity	4	0
Unsecured, credit impaired		
Security Deposits	27	27
Provision for doubtful deposits and claims	(27)	(27)
Total	**40**	**38**
Current		
Unsecured, Considered Good		
Interest accrued on deposits	2	3
Derivative assets (Refer note 34)	4	1
Total	**6**	**4**

Notes to the Financial Statements
for the year ended March 31, 2020

14. EQUITY SHARE CAPITAL

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
A. Authorised equity share capital		
Equity shares of ₹2 (March 31, 2019: ₹2) each.	**1,000**	1,000
No. of Shares (In Crore)	**500**	500
B. Issued, subscribed and paid up		
Equity shares of ₹2 (March 31, 2019: ₹2) each.	**845**	845
No. of Shares (In Crore)	**423**	423
C. Equity shares held by Holding Company		
Vedanta Limited		
No. of Shares (In Crore)	**274**	274
% of Holding	**64.92%**	64.92%
D. No shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date		
E. Details of shareholders holding more than 5% shares in the Company		
Vedanta Limited		
No. of Shares (In Crore)	**274**	274
% of Holding	**64.92%**	64.92%
Government of India - President of India		
No. of Shares (In Crore)	**125**	125
% of Holding	**29.54%**	29.54%

F. Terms/Rights attached to equity shares

The Company has one class of equity shares having a par value of ₹2 per share. Each equity shareholder is eligible for one vote per share held. Each equity shareholder is entitled to dividend as and when declared by the Company. Interim dividend is paid as and when declared by the Board. Final dividend is paid after obtaining shareholders' approval. Dividends are paid in Indian Rupees. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amount in proportion to their shareholding.

15. OTHER FINANCIAL LIABILITIES

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Non-current		
Security deposits and other liabilities	-	11
Capital creditors	-	8
Lease Liabilities (3)	**22**	-
Total	**22**	**19**
Current		
Derivatives - Liabilities (Refer Note 34)	**36**	13
Capital Creditors (1)	**1,061**	948
Due to related party (Refer Note 36)	**7**	14
Deposits from vendors	**113**	94
Interest accrued but not due	**1**	-
Lease liabilities (3)	**6**	-
Unclaimed dividend (2)	**20**	21
Other liabilities (Includes employee benefits etc.)	**243**	311
Total	**1,487**	**1,401**

(1) Includes Nil (March 31, 2019 : ₹2 Crore) to related parties (Refer note 36).

(2) Represents the unclaimed dividend for a period less than 7 years.

(3) (a) The maturity analysis of lease liabilities is disclosed in Note 34.

Notes to the Financial Statements

for the year ended March 31, 2020

(3) (b) Following are the amounts recognised in Statement of Profit & Loss account:

(₹ in Crore)

Particulars	For the year ended March 31, 2020
a) Depreciation expense for right-of-use assets	6
b) Interest expense on lease liabilities	3
c) Expense relating to short-term leases	4
Total amount recognised	**13**

(3) (c) The movement in lease liabilities is as follows:

(₹ in Crore)

Particulars	As at March 31, 2020
a) Opening balance	-
b) Additions (on April 01, 2019 on adoption of IND AS 116)	32
c) Interest accrued	3
d) Repayments (Principal & interest)	(7)
Closing balance	**28**

(3) (d) Lease liabilities carry an effective interest rate of 7.08 % & 23.25 %

16. PROVISIONS

Non-current

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for mine restoration & decommissioning [(a)]	162	145
Total	**162**	**145**

(a)

(₹ in Crore)

Particulars	Provision for mine restoration [(1)]	Provision for decommissioning [(2)]	Total
As at April 1, 2018	122	16	138
Addition during the year/(revision during the year)	13	-	13
Unwinding of discount	(2)	-	(2)
As at March 31, 2019	**133**	**16**	**149**
Addition during the year/(revision during the year)	29	-	29
Unwinding of discount	4	-	4
Utilised	-	(6)	(6)
As at March 31, 2020	**166**	**10**	**176**
Classification as at March 31, 2019			
Non-current	129	16	145
Current	4	-	4
Classification as at March 31, 2020			
Non-current	162	-	162
Current	4	10	14

(1) The provision for restoration, rehabilitation, and environmental cost represents the Company's best estimate of the costs which will be incurred in the future to meet the obligations under the laws of the land and the terms Referred to in the Company's mining arrangements. The principal restoration, rehabilitation and environmental provisions are the costs, which are expected to be incurred in restoring at the end of life of these mines at Rampura Agucha, Rajpura Dariba, Zawar Mines, Sindesar Khurd and Kayad.

(2) Provision for decommissioning is created to meet the obligation at decommissioned smelting facility at Vizag location basis an independent technical evaluation.

Notes to the Financial Statements

for the year ended March 31, 2020

Current

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for Gratuity (Refer note 29)	35	54
Provision for compensated absences (Refer note 29)	21	16
Provision for mine restoration & decommissioning (Refer a above)	14	4
Total	**70**	**74**

17. OTHER LIABILITIES

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Non-Current		
Deferred government grant (2)	1,068	945
Total	**1,068**	**945**
Current		
Advance from customers (3)	1,184	1,766
Statutory and other liabilities (1)	399	549
Deferred government grant (2)	111	82
Total	**1,694**	**2,397**

(1) Statutory and other liabilities mainly includes contribution to PF, Goods and service tax (GST), TDS amount payable to District Mineral Fund (DMF), National Mineral Exploration Trust (NMET) etc.

(2) Represents government assistance in the form of the duty benefit availed under Export Promotion Capital Goods (EPCG) Scheme on purchase of Property, Plant and Equipments accounted for as government grant and being amortised over the useful life of such assets.

(3) Advance from customers are contract liabilities and include amounts received under short-term supply agreements. The advance payment plus a fixed rate of return/ discount will be settled by supplying respective commodity over a period up to twelve months under an agreed delivery schedule as per the terms of the respective agreements. As these are contracts that the Company expects, and has the ability, to fulfil through delivery of a non-financial item, these are recognised as advance from customers and will be released to the income statement as respective commodity is delivered under the agreements. The amount of such balances as of April 01, 2019 was ₹1,766 Crore (April 01, 2018: ₹1,125 Crore). During current year, the Company has refunded ₹650 Crore (March 31, 2019: Nil) to the customers. All other changes are either due to receipt of fresh advances or revenues recognised as detailed in note 20.

18. BORROWINGS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Current (3)		
Commercial Paper (Unsecured) (1)	-	1,969
Working Capital Loans from banks (Unsecured) (2)	611	569
Total	**611**	**2,538**

(1) Commercial Papers as on March 31, 2020 carry an effective interest rate of nil (PY 7.30%), and repayable in nil (87 days) from the date of issue of commercial papers.

(2) Working Capital Loans from banks carry an effective interest rate in the range of 7.50% to 8.85% (PY 8.75% to 8.85%) and are repayable on demand & 1-3 months.

(3) Movement in borrowings during the year is provided below:

(₹ in Crore)

Particulars	Total
As at April 1, 2018	-
Cash flow	2,535
Other non cash changes	3
As at March 31, 2019	**2,538**
Cash flow	(1,928)
Other non cash changes	1
As at March 31, 2020	**611**

Notes to the Financial Statements

for the year ended March 31, 2020

19. TRADE PAYABLES

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Total outstanding dues of Micro, Small and Medium Enterprises	36	52
Total outstanding dues to creditors other than Micro, Small and Medium Enterprises	1,376	1,122
Operational Buyers credit from banks (1)	76	-
Total	**1,488**	**1,174**

(1) Operational Buyers' Credit is availed in foreign currency from offshore branches of Indian banks at an interest rate of 1.13 % p.a.. These trade credits are largely repayable within 60 days from the date of draw down. This is backed by Standby Letter of Credit issued under working capital facilities sanctioned by domestic banks. These facilities are unsecured.

The disclosures relating to Micro, Small and Medium Enterprises have been furnished to the extent such parties have been identified on the basis of the intimation received from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. There is no interest paid/payable as at March 31, 2020 (March 31, 2019: NIL)

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year.		
i) Principal amount due to micro and small enterprises	36	52
ii) Interest due on above	-	-
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	-	-
v) The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

20. (A) REVENUE FROM OPERATIONS

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of products	18,159	20,657
Income from wind energy	173	177
Total Revenue (1)	**18,332**	**20,834**

(1) Revenue is shown exclusive of GST and other indirect taxes, as these collections are not an inflow on entity's own account, rather it is collected on behalf of government authorities.

The above revenue from sale of products for the year ended March 31, 2020 comprises of revenue from contracts with customers of ₹19,193 Crore (March 31, 2019: ₹21,685 Crore) and a net loss on mark to market of ₹861 Crore (March 31, 2019: ₹851 Crore) on account of gains/losses relating to sales that were provisionally priced as at the beginning of the year with the final price settled in the current year, gains/losses relating to sales fully priced during the year, and marked to market gains/losses relating to sales that were provisionally priced as at the end of the year. Entire revenue from contract with customers is recorded at a point in time and includes ₹1,116 Crore (March 31, 2019: ₹1,125 Crore) for which contract liabilities existed at the beginning of the year.

Notes to the Financial Statements

for the year ended March 31, 2020

(B) OTHER OPERATING INCOME

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of scrap and residuals	100	163
Export incentives	59	69
Others (unclaimed amount, carbon credits, liquidated damages etc.)	70	52
Total	**229**	**284**

21. OTHER INCOME

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Net gain on investments measured at FVTPL	637	550
Net gain on sale of current investments	209	314
Net gain on foreign currency transactions and translation	3	-
Amortisation of deferred revenue arising from government grant	97	69
Gain on sale of fixed assets (net)	-	48
Interest Income on		
Bank deposits measured at amortised cost	43	-
Investments measured at FVTPL	868	705
Other financial assets measured at amortised cost	77	96
Total	**1,934**	**1,782**

22. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

(₹ in Crore)

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
Opening inventory			
Finished goods		48	23
Work in progress :-			
Ore		25	141
Mined metal		222	270
Others (includes various semi-finished goods having Zinc, Lead & Silver content)		490	287
Total	**(A)**	**785**	**721**
Closing inventory			
Finished goods		196	48
Work in progress :-			
Ore		44	25
Mined metal		275	222
Others (includes various semi-finished goods having Zinc, Lead & Silver content)		561	490
Total	**(B)**	**1,076**	**785**
Changes in Inventory	**(A- B)**	**(291)**	**(64)**

23. EMPLOYEE BENEFIT EXPENSE

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus (1)	526	742
Contribution to provident and other funds (Refer Note 29)	46	49
Share based compensation (2)	19	22
Staff welfare expenses (1)	98	92
Total	**689**	**905**

(1) Includes Corporate social responsibility expenditure of ₹4 Crore and ₹15 Crore (March 31, 2019: ₹3 Crore and ₹13 Crore) towards salaries, wages and bonus and Company run schools & hospitals respectively. Also, Refer note 32.

Notes to the Financial Statements

for the year ended March 31, 2020

(2) The Company offers equity-based award plans to its employees, officers and directors through its holding Company, Vedanta Resources Limited [Vedanta Resources Long-Term Incentive Plan ("LTIP"), Employee Share Ownership Plan ("ESOP") and Performance Share Plan ("PSP")] collectively Referred as 'Vedanta Resources Limited ESOP' scheme and Vedanta Limited [Vedanta Limited - Employee Stock Option Scheme ("Vedanta Limited- ESOS")].

During the year, share- based incentives arrangement under Vedanta Resources Limited ESOP scheme and ESOS of Vedanta Limited (introduced effective December 2016) are provided to the defined management group. The maximum value of shares that can be awarded to members of the defined management group is calculated by reference to the individual fixed salary and share-based remuneration consistent with local market practice. ESOP scheme of Vedanta Resources Limited and Vedanta Limited are both tenure and performance based share schemes. The awards are indexed to and settled by Parent's shares (Vedanta Resources Limited shares or Vedanta Ltd shares as defined in the scheme). The awards have a fixed exercise price denominated in Parent's functional currency (10 US cents per share in case of Vedanta Resources Limited and ₹1 in case of Vedanta Limited), the performance period of each award is three years and is exercisable within a period of six months from the date of vesting beyond which the option lapses.

Further, in accordance with the terms of the agreement between the Parent and the Company, the cost recognised towards ESOP scheme is recovered by the Parent from the Company.

24. FINANCE COSTS

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest on financial liabilities at amortised cost (1)	36	33
Other interest (2)	42	47
Bill discounting charges	18	22
Bank charges	2	5
Other finance costs	14	6
Total	**112**	**113**

(1) Interest expenses on lease liabilities is ₹3 Crore (March 31, 2019 Nil)

(2) Interest expenses on income tax is ₹2 Crore (March 31, 2019 ₹17 Crore)

25. DEPRECIATION AND AMORTISATION EXPENSES

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation on Property, Plant and Equipments (Refer note 4)	2,266	1,870
Amortisation on intangible assets (Refer note 5)	13	13
Total	**2,279**	**1,883**

26. OTHER EXPENSES

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spare parts	1,170	1,274
Repairs and Maintenance:		
- Plant and equipment	1,436	1,326
- Building	115	86
- Others	1	1
Carriage inwards	167	214
Mine expenses	1,368	1,227
Other manufacturing and operating expenses	341	269
Rates and taxes	4	2
Conveyance and travelling expenses	43	48
Directors sitting fees and commission	1	1
Payment to auditors (1)	2	2
Carriage outwards	232	244
Grass root exploration expenses	14	116
Legal and professional expenses	35	66
Research and development expenditure	6	8

Notes to the Financial Statements

for the year ended March 31, 2020

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Corporate social responsibility (Refer Note 32)	96	106
Loss on sale of fixed assets (net)	23	-
Net loss on foreign currency transactions	-	50
Miscellaneous expenses	205	181
Total	**5,259**	**5,221**
(1) **Remuneration to auditors:**		
- Audit fees	1	1
- Other services	1	1
Total	**2**	**2**

27. EARNINGS PER SHARE

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Basic earnings per share (₹)	16.11	18.83
Diluted earnings per share (₹)	16.11	18.83
The earnings and weighted average number of equity shares used in the calculation of basic and diluted earnings per share are as follows:		
Profit after tax attributable to owners of the Company (in ₹ Crore)	6,805	7,956
Weighted average number of equity shares outstanding (Number in Crore)	423	423
Nominal Value per share (in ₹)	2	2

28. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
a. **Contingent liabilities** (1)		
Claims against the Company not acknowledged as debts		
- Suppliers and contractors	95	90
- Ex-employees and others	9	12
- Land acquisition	6	6
- Mining cases (2)	334	334
- Government : Electricity Duty	9	9
: Road Tax	15	15
: Environmental Cess (3)	142	142
Guarantees issued by the banks (excluding financial guarantees)	225	196
Sales tax demands	91	62
Entry tax demands (4)	200	202
Income tax demands (6)	715	262
Excise Duty demands (5)	390	190

(1) Future cash out flows in respect of the above matters are determinable only on receipt of judgments or decisions pending at various forums. Accordingly interest and penalty where applicable will be additionally payable.

(2) The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, amounting to ₹334 Crore. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim is not probable and thus no provision has been made in the financial statements. HZL had filed writ petitions in the High Court of Rajasthan in Jodhpur and had obtained a stay in respect of these demands. The High Court restrained the Department of Mines and Geology from undertaking any coercive measures to recover the penalty. In January 2007, the High Court issued another order granting the Department of Mines and Geology additional time to file their reply and also ordered the Department of Mines and Geology not to issue any order cancelling the lease. The Company is currently awaiting listing of the said case in Rajasthan High Court.

(3) The State of Rajasthan issued a notification in June 2008 notifying the Rajasthan Environment and Health Cess Rules, 2008, imposing environment and health cess on major minerals including lead and zinc. HZL and other mine operators resisted this notification and the imposition thereunder before the High Court of Rajasthan on the ground that the imposition of such cess and all matters relating to the environment fall under the jurisdiction of the Central government as opposed to the State government. In October 2011, the High

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Court of Rajasthan disposed the writ petitions and held the Rajasthan Environment and Cess Rules, 2008 that impose a levy of cess on minerals, as being constitutionally valid. An amount of ₹150 per metric tonne of ore produced would be attracted under the Statute if it is held to be valid. HZL challenged this order by a special leave petition in December 2011 before the Supreme Court of India. The Supreme Court of India issued a notice for stay. Further direction was issued by the Supreme Court on March 23, 2012 not to take any coercive action against HZL for recovery of cess. The aforementioned notification was rescinded via notification dated January 6, 2017, and hence no further obligation exists after that date.

(4) The Company challenged the constitutional validity of the local statutes and related notifications in the state of Rajasthan pertaining to the levy of entry tax on the entry of goods brought into the state from outside. Nine judge constitution bench of the Supreme court of India in 2016 while upholding the constitutional validity of the levy maintained status quo with respect to all other issues which have been left open for adjudication by regular benches hearing the matters. Post the order of the nine judge bench, the regular bench of the Supreme Court proceeded with hearing the matters. The regular bench remanded the entry tax matters relating to the issue of discrimination against domestic goods from other States to the respective High Courts for final determination but retained the issue of jurisdiction on levy on imported goods, for determination by Supreme Court. The Company has filed writ petition before the Rajasthan High Court.

(5) Various demands raised on the Company towards CENVAT, service tax and excise for FY 1991-92 to 2016-17. The Company has paid an amount of ₹25 Crore (March 31, 2019: ₹22 Crore) against these demands under protest and is confident of the liability not devolving on the Company.

(6) Tax demands have been raised mainly on account of on account of depreciation disallowances, withholding taxes and interest thereon. Although, the Company has paid certain amounts in relation to these demands, which are pending at various levels of appeals, management considers these disallowances as not tenable against the Company, and therefore no provision for tax has been created. Refer note 30.

b. The Department of Mines and Geology (DMG) of the State of Rajasthan initiated the royalty assessment process from January 2008 to 2019 and issued a show cause notice vide an office order dated January 31, 2020 amounting to ₹1,925 Crore. The Company has challenged (the show cause notice or / and) computation mechanism of the royalty on the ground that the state has not complied with the previous orders of Rajasthan High court where a similar computation mechanism was challenged and court had directed DMG to reassess basis the judicial precedents and mining concession rules. Pending compliance of previous orders, High court has granted a stay on the notice and directed DMG not to take any coercive action. Based on the opinion of external council, the Company believes that it has strong grounds of a successful appeal, and the chances of an outcome which is not if favour of the Company is remote.

c. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for ₹1,635 Crore (March 31, 2019: ₹2,426 Crore).

d. Other Commitments - Export obligations

The Company had ₹2,908 Crore export obligations (March 31, 2019: ₹1,432 Crore) on account of concessional rates of import duties paid on capital goods under the Export Promotion Capital Goods Scheme enacted by the Government of India (which is required to be fulfilled over the next six years from purchase). If the company is unable to meet these obligations, its liabilities currently not provided would be ₹485 Crore (March 31, 2019: ₹239 Crore) reduced in proportion to actual export. This liability is backed by the bonds executed in favour of Customs department amounting to ₹67 Crore (March 31, 2019: ₹118 Crore). Further, bonds amounting to ₹1,502 Crore (March 31, 2019: ₹1,258 Crore) will be released subject to verification of EODC (Export obligation discharge certificate) by the Customs department.

29. RETIREMENT AND OTHER EMPLOYEE BENEFIT SCHEMES

a. Defined contribution schemes

Family Pension Scheme

The contributions are based on a fixed percentage of the employee's salary, subject to a ceiling, as prescribed in the scheme. A sum of ₹5 Crore (March 31, 2019: ₹6 Crore) has been charged to the Statement of Profit and Loss during the year. There are no further obligations on the Company.

Superannuation fund

A sum of ₹3 Crore (March 31, 2019: ₹3 Crore) has been charged to the Statement of Profit and Loss in respect to contributions made to the superannuation fund. The Company has no further obligations to the plan beyond the monthly contributions.

Notes to the Financial Statements

for the year ended March 31, 2020

b. Defined benefit plans

For defined benefit schemes, the cost of providing benefits under the plans is determined by actuarial valuation each year for the plan using the projected unit credit method by independent qualified actuaries as at the year end. Remeasurements in the year are recognised in full in other comprehensive income for the year.

Provident fund

The Company offers its employees, benefits under defined benefit plans in the form of provident fund scheme which covers all employees. Contributions are paid during the year into 'Hindustan Zinc Limited Employee's Contributory Provident Fund' ('Trust'). Both the employees and the Company pay predetermined contributions into the Trust. A sum of ₹26 Crore (March 31, 2019: ₹29 Crore) has been charged to the Statement of Profit and Loss in this respect during the year.

The Company's Trust is exempted under section 17 of Employees Provident Fund Act, 1952. The conditions for grant of exemption stipulate that the employer shall make good the deficiency, if any, between the return guaranteed by the statute and actual earning of the Trust. Having regard to the assets of the Trust and the return on the investments, the Company does not expect any deficiency in the foreseeable future, except for investments in debt securities of IL&FS Limited, IL&FS Financial Services Ltd. and DHFL (Dewan Housing Finance Corporation Ltd.). Accordingly, the Company has provided for ₹135 Crore being the change in the remeasurement of the defined benefit plans, in Other Comprehensive Income.

The details of fund and plan asset position are given below:

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Plan assets fair valued	1,514	1,383
Present value of benefit obligation at period end	1,513	1,382
Net Plan Assets/(Liability)	1	1
% allocation of plan assets by category		
Central government securities	15%	18%
State government securities (including PSU Bond)	49%	53%
Private Sector Bonds, Mutual funds	36%	29%
Principal actuarial assumptions		
Financial Assumptions		
Discount rate	6.8%	7.8%
Expected statutory interest rate on the ledger balance	8.50%	8.65%
Expected short fall in interest earnings on the fund	0.05%	0.05%
Demographic Assumptions		
i) Retirement Age (Years)	58	58
ii) Mortality rates inclusive of provision for disability	100% of IALM (2012- 14)	100% of IALM (2006- 08)
iii) Withdrawal rates		
Up to 30 Years	3% - 13.5%	3% - 16.8%
From 31 to 44 years	2% - 5.9%	2% - 4.6%
Above 44 years	1%- 2.2%	1%- 1.9%

Gratuity plan

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, an employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The Company's defined benefit plans are funded with Life Insurance Corporation of India (LIC). The Company does not have any liberty to manage the fund provided to LIC.

Notes to the Financial Statements

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The following tables set out the funded status of the gratuity plans and the amounts recognised in the financial statements.

Principal actuarial assumptions

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Principal actuarial assumptions used to determine the present value of the defined benefit obligation are as follows:		
Financial Assumptions		
Discount rate	6.8%	7.8%
Expected rate of increase in compensation level of covered employees	6% - 8.5%	6% - 9.5%
Demographic Assumptions		
i) Retirement Age (Years)	58	58
ii) Mortality rates inclusive of provision for disability	IALM (2012-14)	IALM (2006 - 08)
iii) Withdrawal rates		
Up to 30 Years	3% - 13.5%	3% - 16.8%
From 31 to 44 years	2% - 5.9%	2% - 4.6%
Above 44 years	1%-2.2%	1%-1.9%
Amount recognised in the balance sheet consists of:		
Fair value of planned assets	263	228
Present value of defined benefit obligations	(298)	(282)
Net assets/(Net unfunded liability)	**(35)**	**(54)**
% allocation of plan assets by category		
Qualified Policy from Life Insurance Corporation of India (LIC)	100%	100%

The movement during the year of the present value of the defined benefit obligation was as follows:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	282	270
Service cost	14	13
Benefits paid	(37)	(57)
Interest cost	22	21
Actuarial (Gain)/Loss on obligation	17	35
Closing Balance	**298**	**282**

The movement during the year in the fair value of plan assets was as follows:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening Balance	228	208
Employer Contributions	54	62
Benefits paid	(36)	(57)
Interest Income	18	16
Remeasurement gain/(loss) arising from return on plan assets	(1)	(1)
Closing Balance	**263**	**228**

Notes to the Financial Statements
for the year ended March 31, 2020

Amounts recognised in Statement of Profit and loss in respect of defined benefit plan are as follows:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Current service cost	14	13
Net Interest cost	4	5
Total charge to Statement of Profit and Loss	**18**	**18**

Amounts recognised in Other Comprehensive Income in respect of defined benefit plan are as follows:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Remeasurement (Gain) / Loss arising from Change in Demographic Assumption	(1)	-
Remeasurement (Gain) / Loss arising from Change in Financial Assumption	12	(4)
Remeasurement (Gain) / Loss arising from Experience Adjustment	6	39
Remeasurement of the net defined benefit liability	**17**	**35**

Expected contribution for the next annual reporting period of March 31, 2020:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Service Cost	14	14
Net Interest Cost	3	4
Expected contribution for the next annual reporting period of March 31, 2020	**17**	**18**

Sensitivity analysis
Below is the sensitivity analysis determined for significant actuarial assumptions for the determination of defined benefit obligations and based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period while holding all other assumptions constant.

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Impact of change discount rate		
Increase by 0.50%	(7)	(7)
Decrease by 0.50%	7	7
Impact of change in salary increase rate		
Increase by 0.50%	7	7
Decrease by 0.50%	(7)	(7)

The above sensitivity analysis may not be representative of the actual benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of reporting period, which is the same as that applied in calculating the defined obligation liability recognised in the balance sheet.

Notes to the Financial Statements

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Maturity Profile of Defined Benefit Obligation

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Year:		
0 to 1 Year	38	30
1 to 2 Year	40	7
2 to 3 Year	33	9
3 to 4 Year	35	9
4 to 5 Year	32	10
5 to 6 Year	27	11
6 Year onwards	95	206

Risk analysis

The Company is exposed to a number of risks in the defined benefit plans. Most significant risks pertaining to defined benefits plans and management estimation of the impact of these risks are as follows:

Investment risk

The Company's defined benefit plans are funded with Life Insurance Corporation of India (LIC). The Company does not have any liberty to manage the fund provided to LIC. The present value of the defined benefit plan liability is calculated using a discount rate determined by Reference to Government of India bonds for the Company's operations. If the return on plan asset is below this rate, it will create a plan deficit.

Interest risk

A decrease in the interest rate on plan assets will increase the plan liability, however this will be partially offset by increase in the return on plan debt investment.

Longevity risk/ Life expectancy

The present value of the defined benefit plan liability is calculated by Reference to the best estimate of the mortality of plan participants both during and at the end of the employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary growth risk

The present value of the defined benefit plan liability is calculated by Reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

30. INCOME TAX EXPENSES

The major components of income tax expense for the year ended March 31, 2020 are indicated below:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
a. Tax charge recognised in Profit and Loss		
Current tax:		
Current tax on profit for the year	1,428	2,230
Adjustment in respect of earlier years	-	(10)
Total Current tax	**1,428**	**2,220**
Deferred tax:		
Reversal and origination of temporary differences	(62)	347
MAT credit asset (recognised)/ utilisation	226	(57)
Adjustment in respect of earlier years	(7)	(10)
Total Deferred tax	**157**	**280**
Tax expense for the year	**1,585**	**2,500**
Effective income tax rate (%)	**18.89%**	**23.91%**

Notes to the Financial Statements

for the year ended March 31, 2020

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
b. Statement of other comprehensive income		
Deferred tax (credit) / charge on:		
Unrealised (gain)/loss on FVTOCI of financial instruments	-	16
Remeasurement of defined benefit obligation	(54)	(13)
Total	**(54)**	**3**

c. A reconciliation of income tax expense applicable to accounting profits before tax at the statutory income tax rate to recognised income tax expense for the year is as follows:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Accounting profit before tax (after exceptional item)	8,390	10,456
Statutory income tax rate	34.94%	34.94%
Tax at statutory income tax rate	2,932	3,654
Disallowable expenses	43	41
Non-taxable capital gains	(55)	(62)
Tax holidays and similar exemptions	(539)	(872)
Additional depreciation under income tax reversible within tax holiday period	-	2
Exempted Income	(33)	(36)
Effect of changes in tax laws (refer (i) below)	(477)	-
Impact of tax rate differences on capital gains	(279)	(207)
Adjustments in respect of prior years	(7)	(20)
Total	**1,585**	**2,500**

(i) Section 115BAA of the Income- tax Act, 1961 was enacted during the current year, as per which a Company can move to a lower tax regime by foregoing certain tax benefits and holidays. Based on the expected timing of exercising of Section 115BAA, the Company re-measured its deferred tax balances on March 31, 2019 leading to a deferred tax credit of ₹365 Crore, being recognised during the year and additional credit of ₹112 Crore on timing differences that originated during the current year.

(ii) The tax department had raised demands on account of remeasurement of certain tax incentives, as described below, under section 80IA and 80 IC of the Income tax Act. During the current year, based on the favourable orders from Income Tax Appellate Tribunal relating to AY 09-10 to AY 12-13, the Commissioner of Income Tax (Appeals) has allowed these claims for AY 14-15 to AY 15-16, which were earlier disallowed and has granted refund of amounts deposited under protest. Against the Tribunal order, department had filed an appeal in Hon'ble Rajasthan High Court in financial year 17-18 which is yet to be admitted. As per the view of external legal counsel, Department's appeal seeks re-examination of facts rather than raising any substantial question of law and hence it is unlikely that appeal will be admitted by the High Court. Due to this there is a strong prima facie case that ITAT order will stand confirmed and department's appeal would be dismissed. The amount involved in this dispute as of March 31, 2020 is ₹10,566 Crore (Previous year: ₹6,017 Crore) plus applicable interest upto the date of settlement of the dispute.

The Company is eligible for specified tax incentives which are included in the table above as 'tax holidays and similar exemptions'. These are briefly described as under:

Location based exemption

In order to boost industrial and economic development in undeveloped regions, provided certain conditions are met, profits of newly established undertakings located in certain areas in India may benefit from a tax holiday. Such a tax holiday works to exempt 100% of the profits for the first five years from the commencement of the tax holiday, and 30% of profits for the subsequent five years. This deduction is available only for units established up to March 31, 2012. However, such undertaking would continue to be subject to the Minimum Alternative tax ('MAT'). The Company has such types of undertakings at Haridwar and Pantnagar. The tax holiday benefit at Haridwar expired at March 2018 while in Pantnagar, the Company would continue to avail 30% tax holiday till March 2021.

Notes to the Financial Statements

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Sectoral Benefit - Power Plants

To encourage the establishment of certain power plants, provided certain conditions are met, tax incentives exist to exempt 100% of profits and gains for any ten consecutive years within the 15 year period following commencement of the power plant's operation. The Company currently has total operational capacity of 474 Mega Watts (MW) of thermal based power generation facilities, wind power capacity of 274 Mega Watts (MW) and solar power plants of 16 MW. However, such undertakings generating power would continue to be subject to the MAT provisions.

d. Significant components of deferred tax assets and (liabilities) recognised in the balance sheet are as follows:

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Property, plant and equipment, Exploration and evaluation and intangible assets	(2,021)	(2,158)
Fair valuation of financial assets/liabilities	(362)	(286)
Voluntary retirement scheme	20	24
Other temporary differences	171	111
MAT credit entitlement	4,014	4,234
Deferred Tax Assets (net)	**1,822**	**1,925**

The reduction in deferred tax assets of ₹103 Crore (March 2019: ₹283 Crore) is recorded as below:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Through Other Comprehensive Income		
Fair value of financial instruments	-	16
Remeasurement of defined benefit obligations	(54)	(13)
	(54)	**3**
Through Profit and Loss		
All other charges	157	280
Total	**103**	**283**

31. JOINT VENTURE- OTHER FINANCIAL ASSETS

The Company had access of up to 31.5 million MT of coal as a partner in the joint venture 'Madanpur South Coal Company Limited' (Madanpur JV), a Company incorporated in India, where it holds 17.62% of ownership interest. During the year 2013-14, Honourable Supreme Court had passed the judgment cancelling all the coal blocks including Madanpur JV allocated since 1993 with certain exceptions and consequently the Company does not have any business to pursue. Accordingly, the Company had created 100% provision against its investment in Madanpur JV amounting to ₹2 Crore.

The Company's share of each of the assets, liabilities, income and expenses etc., related to its interests in Madanpur JV are:

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Investment in Joint venture		
Madanpur South Coal Company Limited (at cost) 1,14,391 equity shares of ₹10 each [(1)] (March 31, 2019: 1,14,391 equity shares of ₹10 each)	2	2
Less: Aggregate amount of impairment in the value of investment	(2)	(2)
Total	-	-

(1) The board of directors of Madanpur South Coal Company Limited have approved buy back of equity shares at a price of ₹96 per share. Accordingly HZL has exercised buy back option on 37,875 shares on August 12, 2017.

The Company's share of each of the assets, liabilities, income and expenses etc., related to its interests in Madanpur JV are:

Non-current assets (Includes Property, Plant and Equipment)	1	1
Current assets (Includes investments and deposits)	-	-

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(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income	-	-
Expenses	-	-

The Company has not prepared consolidated financial statements as at March 31, 2020 & March 31, 2019 as the Company does not have any investment in subsidiaries or associates apart from the above investment in Madanpur JV. The operations of Madanpur JV has been discontinued pursuant to cancellation of coal allocation by Supreme Court and the investments in Madanpur JV are completely impaired. Accordingly, the profits, equity and cash flows on consolidation of Madanpur JV with the Company would remain consistent with the standalone financial statements.

32. CORPORATE SOCIAL RESPONSIBILITY EXPENSES

The Company is required to spend a gross amount of ₹213 Crore and ₹204 Crore for the year ended March 31, 2020 and March 31, 2019 respectively.

(₹ in Crore)

Particulars	For the year ended March 31, 2020		
	In- Cash	Yet to be Paid in Cash	Total
Amount spent during the year (1)	103	29	132
Total amount spent	**103**	**29**	**132**

(₹ in Crore)

Particulars	For the year ended March 31, 2019		
	In- Cash	Yet to be Paid in Cash	Total
Amount spent during the year (1)	112	18	130
Total amount spent	**112**	**18**	**130**

(1) Includes depreciation on the sewage treatment plant (STP) and related assets of ₹1 Crore (March 31, 2019: ₹1 Crore), amortisation expenditure on right to use the water of STP is ₹5 Crore (March 31, 2019: ₹3 Crore), employee benefit expenses of ₹19 Crore (March 31, 2019 ₹16 Crore) and other expenses on running the STP of ₹11 Crore (March 31, 2019: ₹4 Crore). There is no capital asset expenditure included in above.

33. SEGMENT REPORTING

a. Basis of Segmentation

The Company is engaged in exploring, extracting and processing minerals. The Company produces zinc, lead, silver and commercial power. The Company has two reportable segments: i) Zinc, Lead, Silver & others and (ii) Wind energy. The management of the Company is organised by its main products: Zinc, Lead and Silver and Wind energy. Each of the reportable segments derives its revenues from these main products and hence these have been identified as reportable segments by the Company's Chief Operating Decision Maker ("CODM"). Segment profit amounts are evaluated regularly by the CEO, who has been identified as the CODM, in deciding how to allocate resources and in assessing performance.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. The operating segments reported are the segments of the Company for which separate financial information is available. Segment profit (Earnings before interest, depreciation and amortisation, and tax) amounts are evaluated regularly by the CEO who has been identified as its CODM in deciding how to allocate resources and in assessing performance. The Company's financing (including finance costs and finance income) and income taxes are reviewed on an overall basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Revenue and expenses directly attributable to segment are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of appropriate cost drivers of the segment.

Asset and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable.

Notes to the Financial Statements
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The following table presents revenue and profit information and certain assets information regarding the Company's business segments.

b. Information about reportable segments
I. Information about primary segment

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue		
Zinc, Lead, Silver & others		
(i) Zinc, Lead and others	15,715	18,089
(ii) Silver	2,444	2,568
Wind Energy	173	177
Segment revenue	**18,332**	**20,834**
Segment Results		
Zinc, Lead, Silver & others		
(i) Zinc, Lead and others	4,431	6,606
(ii) Silver	2,127	2,208
Wind Energy	109	119
Segment Results	**6,667**	**8,933**
Less: Finance costs	112	113
Add: Interest income	988	803
Add: Other unallocable income net of unallocable expenditure	847	833
Profit before tax	8,390	10,456
Tax expenses	1,585	2,500
Profit for the year	**6,805**	**7,956**
Depreciation & amortisation Expense		
Zinc, Lead, Silver and others	2,251	1,855
Wind Energy	28	28
Total	**2,279**	**1,883**

Below table summarises the disaggregated revenue from contracts with customers:

(₹ in Crore)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Zinc	13,328	15,155
Lead	2,861	3,332
Silver	2,462	2,568
Wind Energy	173	177
Others	369	453
Revenue from contracts with customers	**19,193**	**21,685**
Gains/(losses) on provisionally priced contracts (net) (Refer Note 20)	(861)	(851)
Total Revenue	**18,332**	**20,834**

(₹ in Crore)

Particulars	Zinc, Lead and Silver	Wind energy	Unallocated	Total
As at March 31, 2020				
Assets and liabilities				
Assets				
Segment assets	21,340	693	24	**22,057**
Financial assets investments	-	-	20,329	**20,329**
Deferred tax asset (net)	-	-	1,822	**1,822**

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(₹ in Crore)

Particulars	Zinc, Lead and Silver	Wind energy	Unallocated	Total
Cash and cash equivalent	-	-	1,878	**1,878**
Other bank balance	-	-	40	**40**
Advance income tax (net of provision for tax)	-	-	849	**849**
Total assets	**21,340**	**693**	**24,942**	**46,975**
Liabilities				
Segment liability	5,950	20	632	**6,602**
Current Tax Liabilities (Net)	-	-	63	**63**
Total liabilities	**5,950**	**20**	**695**	**6,665**
As at March 31, 2019				
Assets and liabilities				
Assets				
Segment assets	19,106	659	17	**19,782**
Financial assets investments	-	-	19,488	**19,488**
Deferred tax asset (net)	-	-	1,925	**1,925**
Cash and cash equivalent	-	-	2	**2**
Other bank balance	-	-	21	**21**
Advance income tax (net of provision for tax)	-	-	1,240	**1,240**
Total assets	**19,106**	**659**	**22,693**	**42,458**
Liabilities				
Segment liability	6,110	14	2,569	**8,693**
Current Tax Liabilities (Net)	-	-	160	**160**
Total liabilities	**6,110**	**14**	**2,729**	**8,853**

Other Segment Information

Segment capital expenditure

The below expenditure includes additions to property, plant and equipment, intangible assets, capital work in progress and capital advances:

(₹ in Crore)

Particulars	Zinc, Lead and Silver	Wind energy	Total
For the year ended March 31, 2020	4,235	-	**4,235**
For the year ended March 31, 2019	3,908	-	**3,908**

II. Information based on Geography

(₹ in Crore)

Geographical Segments	**For the year ended March 31, 2020**	For the year ended March 31, 2019
Revenue by geographical segment		
India	**14,635**	16,580
Asia (excluding India)	**3,529**	3,843
Rest of the World	**168**	411
Total	**18,332**	**20,834**

(₹ in Crore)

Non-current assets [1]	**As at March 31, 2020**	As at March 31, 2019
India	**20,287**	18,910
Total	**20,287**	**18,910**

(1) Excluding financial instruments and deferred tax assets.

(₹ in Crore)

Segment capital expenditure	For the year ended March 31, 2020	For the year ended March 31, 2019
India	4,235	3,908
Total	**4,235**	**3,908**

Information about major customer
No single customer accounted for 10% or more of the revenue during the year.

34. FINANCIAL INSTRUMENTS
This section gives an overview of the significance of financial instruments for the Company and provides additional information on the balance sheet. Details of significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 and Note 3.

Financial assets and liabilities:
The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

(₹ in Crore)

Particulars	Fair Value through profit and loss	Amortised Cost	Total carrying value	Total fair value
As at March 31, 2020				
Financial assets				
Cash and cash equivalents	-	1,878	1,878	1,878
Other bank balances	-	40	40	40
Current investments	20,329	-	20,329	20,329
Trade receivables	9	392	401	401
Other Current financial assets and loans	4	4	8	8
Other Non-current financial assets	-	53	53	53
Total	**20,342**	**2,367**	**22,709**	**22,709**
Financial liabilities				
Short-term borrowings	-	611	611	611
Trade payables	-	1,488	1,488	1,488
Other Current financial liabilities	36	1,451	1,487	1,487
Other Non-current financial liabilities	-	22	22	22
Total	**36**	**3,572**	**3,608**	**3,608**
As at March 31, 2019				
Financial assets				
Cash and cash equivalents	-	2	2	2
Other bank balances	-	21	21	21
Current investments	19,488	-	19,488	19,488
Trade receivables	-	196	196	196
Other Current financial assets and loans	1	6	7	7
Other Non-current financial assets	-	51	51	51
Total	**19,489**	**276**	**19,765**	**19,765**
Financial liabilities				
Short-term borrowings	-	2,538	2,538	2,538
Trade payables	-	1,174	1,174	1,174
Other Current financial liabilities	13	1,388	1,401	1,401
Other Non-current financial liabilities	-	19	19	19
Total	**13**	**5,119**	**5,132**	**5,132**

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for the year ended March 31, 2020

The management assessed that Cash and cash equivalents, Other bank balances, Trade receivables, Trade payables, Short-term borrowings, other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of the current instrument in bonds and zero coupon bonds are based on the price quotations at the reporting date. Fair value of current investments that are in the nature of 'close ended' mutual funds are based on market observable inputs i.e. NAV provided by mutual fund houses. [a level 2 technique].

Fair value of current investments that are in the nature of 'open ended' mutual funds are derived from quoted market prices in active markets [a level 1 technique].

The Fair value of non current financial assets and liabilities are estimated by discounting the expected future cash flows using a discount rate equivalent to the risk free rate of return adjusted for the appropriate credit spread.

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Forward foreign currency contracts are valued using valuation technique with market observable inputs. The most frequently applied valuation techniques for such derivatives include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying currency (a level 2 technique). Commodity contracts are valued using the forward LME rates of commodities actively traded on the listed metal exchange i.e. London Metal Exchange, United Kingdom (U.K.) [a level 2 technique].

Fair value hierarchy

The table shown below analyses financial instruments carried at fair value, by measurement hierarchy. The different levels have been defined below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures on fair value measurement hierarchy:

(₹ in Crore)

Particulars	Level-1	Level-2	Level-3
Financial Assets			
As at March 31, 2020			
At fair value through profit and loss			
Short-term investment	4,979	15,350	-
Derivatives financial Assets*			
Forward foreign currency contracts	-	4	-
Trade receivables	-	9	
Total	**4,979**	**15,363**	**-**
Financial Liabilities			
At fair value through profit and loss			
Derivatives financial Liabilities*			
Forward foreign currency contracts	-	16	-
Commodity contracts	-	20	-
Total	**-**	**36**	**-**

Notes to the Financial Statements
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(₹ in Crore)

Particulars	Level-1	Level-2	Level-3
As at March 31, 2019			
At fair value through profit and loss			
Short-term investment	2,165	17,323	-
Derivatives financial Assets*			
Commodity Contracts	-	1	-
Total	**2,165**	**17,324**	**-**
Financial Liabilities			
At fair value through profit and loss			
Derivatives financial Liabilities*			
Forward foreign currency contracts		12	-
Commodity contracts	-	1	-
Total	**-**	**13**	**-**

* Refer section - "Derivative financial instruments

There is no financial instrument which is classified as level 3 during the year. There were no transfers between Level 1, Level 2 and Level 3 during the year.

Risk management framework

Risk management

The Company's businesses are subject to several risks and uncertainties including financial risks.
The Company's documented risk management polices act as an effective tool in mitigating the various financial risks to which the business is exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, commodity price risk, foreign exchange risk, interest rate risk, counterparty and concentration of credit risk and capital management. Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers. Each significant risk has a designated 'owner' within the Company at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated.

The risk management process is coordinated by the Management Assurance function and is regularly reviewed by the Company's Audit Committee. The Audit Committee is aided by the Risk Management Committee, which meets regularly to review risks as well as the progress against the planned actions. Key business decisions are discussed at the periodic meetings of the Executive Committee. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

The risk management framework aims to:

- improve financial risk awareness and risk transparency
- identify, control and monitor key risks
- identify risk accumulations
- provide management with reliable information on the Company's risk situation
- improve financial returns

Treasury management

The Company's treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Treasury management focuses on capital protection, liquidity maintenance and yield maximisation.
The treasury policies are approved by the Board and adherence to these policies is strictly monitored at the

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Executive Committee meetings. Day-to-day treasury operations of the Company are managed by the finance team within the framework of the overall Company's treasury policies. A monthly reporting system exists to inform senior management about investments, currency and, commodity derivatives. The Company has a strong system of internal control which enables effective monitoring of adherence to Company's policies. The internal control measures are effectively supplemented by regular internal audits.

The investment portfolio at the Company is independently reviewed by CRISIL Limited and it has been rated as "Tier I" meaning highest safety.

The Company uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forwards and these are subject to the Company's guidelines and policies.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2020 & March 31, 2019. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations, provisions, and the non-financial assets and liabilities of foreign operations.

Commodity price risk

The Company is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Company produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Company aims to achieve the monthly average of the commodity prices for sales realisation. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering into forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level and with clearly laid down guidelines for their implementation by the Company.

Whilst the Company aims to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

Financial instruments with commodity price risk are entered into in relation to following activities:

- economic hedging of prices realised on commodity contracts.
- cash flow hedging on account of forecasted highly probable transactions.

The sales prices of zinc and lead are linked to the LME prices. The Company also enters into hedging arrangements for its Zinc and Lead sales to realise month of sale LME prices.

Total exposure on provisionally priced Zinc, Lead & Silver contracts as at March 31, 2020 were ₹37 Crore (March 31, 2019 ₹189 Crore), ₹2 Crore (March 31, 2019 ₹80 Crore) and Nil (March 31, 2019 nil) respectively. The impact on net profits for a 10% movement in LME prices of zinc, 5% movement in LME price of lead and 5% movement in LBMA price of silver that were provisionally priced as at March 31, 2020 is ₹4 Crore, Nil, Nil respectively and as at March 31, 2019 is ₹19 Crore, ₹4 Crore and Nil respectively.

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Financial risk

The Company's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. The Company does not engage in speculative treasury activity but seeks to manage risk and optimise interest and commodity pricing through proven financial instruments.

a. Liquidity risk

The Company requires funds both for short-term operational needs as well as for long-term investment programme mainly in growth projects. The Company generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and short-term investments provide liquidity both in the short-term as well as in the long-term.

The Company has been rated as 'AAA' / Stable for long-term and A1+ for short-term by CRISIL Limited during the current and previous financial years.

The Company remains committed to maintaining a healthy liquidity, gearing ratio and strengthening the balance sheet. The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company.

(₹ in Crore)

Payment due by years	<1 year	1-2 Years	2-5 Years	> 5 Years	Total
As at March 31, 2020					
Trade and other payables	2,933	-	-	-	2,933
Lease Liabilities	6	11	10	1	28
Derivative financial liabilities	36	-	-	-	36
Borrowings	611	-	-	-	611
Total	**3,586**	**11**	**10**	**1**	**3,608**
As at March 31, 2019					
Trade and other payables	2,562	17	2	-	2,581
Derivative financial liabilities	13	-	-	-	13
Borrowings	2,538	-	-	-	2,538
Total	**5,113**	**17**	**2**	**-**	**5,132**

The Company had access to following funding facilities.

(₹ in Crore)

Funding facility	Total facility	Drawn	Undrawn
As at March 31, 2020			
Less than 1 year	2,600	1,730	870
More than 1 year	-	-	-
Total	**2,600**	**1,730**	**870**
As at March 31, 2019			
Less than 1 year	2,800	1,357	1,443
More than 1 year	-	-	-
Total	**2,800**	**1,357**	**1,443**

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b. Foreign exchange risk

Fluctuations in foreign currency exchange rates may have an impact on the Statement of Profit and Loss, where any transaction References more than one currency other than the functional currency of the Company.

The Company uses forward exchange contracts, to hedge the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The sources of foreign exchange risk are outstanding amounts payable for imported raw materials, capital goods and other supplies denominated in foreign currency. The Company is also exposed to foreign exchange risk on its exports. Most of these transactions are denominated in US dollars. The policy of the Company is to determine on a regular basis what portion of the foreign exchange risk on financing transactions are to be hedged through forward exchange contracts and other instruments. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer term exposures, are normally unhedged. The hedge mechanisms are reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. The following analysis is based on the gross exposure as at the reporting date which could affect the Statement of Profit and Loss. The below table summarises the foreign currency risk from financial instrument and is partly mitigated by some of the derivative contracts entered into by the Company as disclosed under the section on “Derivative financial instruments”.

(₹ in Crore)

Currency exposure	**As at March 31, 2020**		As at March 31, 2019	
	Financial Asset	**Financial Liability**	Financial Asset	Financial Liability
US Dollar	**276**	**204**	58	413
Australian Dollar	**-**	**16**	-	36
Euro	**-**	**262**	-	22
Others	**-**	**11**	-	6

The Company’s exposure to foreign currency arises where a Company holds monetary assets and liabilities denominated in a currency different to the functional currency of the Company, with US dollar, JPY and Euro being the major non-functional currency. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rate, liquidity and other market changes.

The results of Company operations may be affected largely by fluctuations in the exchange rates between the Indian Rupee, against the US dollar. The foreign exchange rate sensitivity is calculated by the aggregation of the net foreign exchange rate exposure with a simultaneous parallel foreign exchange rate shift in the currencies by 5% against the functional currency of the respective entities.

Set out below is the impact of a 5% strengthening/weakening in the INR on pre-tax profit/(loss) arising as a result of the revaluation of the Company’s foreign currency financial assets/liabilities:

(₹ in Crore)

Particulars	**Total exposure**		**Effect of 5% strengthening/weakening of INR on pre-tax profit/(loss)**	
	For the year ended March 31, 2020	For the year ended March 31, 2019	**For the year ended March 31, 2020**	For the year ended March 31, 2019
US Dollar	**(72)**	355	**(4)**	18
Australian Dollar	**16**	36	**1**	2
Euro	**262**	22	**13**	1
Others	**11**	6	**1**	-

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c. Interest rate risk

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying assets. The returns from these financial assets are linked to market interest rate movements; however the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk. Additionally, the investments portfolio is independently reviewed by CRISIL Limited, and it has been rated as "Tier I" meaning highest safety.

The exposure of the Company's financial assets to interest rate risk is as follows:

(₹ in Crore)

Particulars	Total	Floating rate	Fixed rate	Non-interest bearing
As at March 31, 2020				
Financials assets	22,709	10,047	12,185	477
Financial liabilities	3,608	-	715	2,893
As at March 31, 2019				
Financials assets	19,765	8,717	10,771	277
Financial liabilities	5,132	-	2,538	2,594

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rate. The Company does not have floating interest rate borrowing during the year ended March 31, 2020 & March 31, 2019 and it is not significantly exposed to interest rate risk.

Considering the net investment position as at March 31, 2020 and the investment in bank deposits, bonds and debt mutual funds, any increase in interest rates would result in a net increase and any decrease in interest rates would result in a net decrease. The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

The below analysis gives the impact of a 0.5% to 2.0% change in interest rate of floating investment on profit/(loss) and equity and represents management's assessment of the possible change in interest rates.

The impact of change (increase/(decrease)) in interest rate of 0.5%, 1.0% and 2.0% on profits for the period ended March 31, 2020 is ₹50 Crore, ₹100 Crore and ₹201 Crore and for year ended March 31, 2019 is ₹44 Crore, ₹87 Crore and ₹174 Crore respectively.

d. Counterparty and concentration of credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company is exposed to credit risk for receivables, cash and cash equivalents, short-term investments and derivative financial instruments. Credit risk on receivables is limited as almost all credit sales are against letters of credit and guarantees of banks of good financial repute.

Moreover, given the nature of the Company's business, trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10% or more of revenue on a % basis in any of the years indicated. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Company does not expect any material risk on account of non-performance by any of the Company's counterparties.

For short-term investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. For derivative and financial instruments, the Company attempts to limit the credit risk by only dealing with reputable banks and financial institutions having high credit-ratings assigned by international credit-rating agencies. Defined limits are in place for exposure to individual counterparties in case of mutual funds schemes and bonds.

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The carrying value of the financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk as at March 31, 2020 and March 31, 2019 are ₹22,709 Crore and ₹19,765 Crore respectively.

None of the Company's cash equivalents, including time deposits with banks, are past due or impaired. Regarding trade and other receivables, and other non-current assets, there were no indications as at March 31, 2020, that defaults in payment obligations will occur.

Of the year end trade receivables, loans and other financial assets, following balances were past due but not impaired as at March 31, 2020 and March 31, 2019:

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Neither impaired nor past due	322	190
Past due but not impaired		
Less than 1 month	13	25
Between 1-3 months	90	21
Between 3-12 months	21	16
Greater than 12 months	16	2
Total	**462**	**254**

Receivables are deemed to be past due or impaired with Reference to the Company's normal terms and conditions of business. These terms and conditions are determined on a case to case basis with reference to the customer's credit quality and prevailing market conditions. Receivables that are classified as 'past due' in the above tables are those that have not been settled within the terms and conditions that have been agreed with that customer.

The credit quality of the Company's customers is monitored on an on-going basis and assessed for impairment where indicators of such impairment exist. The solvency of the debtor and their ability to repay the receivable is considered in assessing receivables for impairment. Where receivables have been impaired, the Company actively seeks to recover the amounts in question and enforce compliance with credit terms.

Derivative financial instruments

The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts and these are subject to the Company guidelines and policies.

All derivative financial instruments are recognised as assets or liabilities on the balance sheet and measured at fair value based on quotations obtained from financial institutions or brokers. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation.

The fair values of all derivatives are separately recorded in the balance sheet within current assets and liabilities. Derivatives that are designated as hedges are classified as current depending on the maturity of the derivative.

The use of derivatives can give rise to credit and market risk. The Company tries to manage credit risk by entering into contracts with reputable banks and financial institutions. The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

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Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts and marked-to-market when their risks and characteristics are not clearly and closely related to those of their host contracts and the host contracts are not fair valued.

Cash flow hedges

The Company also enters into commodity price contracts for hedging highly probable future forecast transaction and account for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transaction occurs, at which time, the respective gains or losses are reclassified to the Statement of Profit and Loss.

Fair value hedges

The fair value hedges relate to commodity price risks and foreign currency exposure. The Company's sales are on a quotational period basis, generally one month to three months after the date of delivery at a customer's facility. The Company enters into forward contracts for the respective quotational period to hedge its commodity price risk based on average LME prices. Gains and losses on these hedge transactions are substantially offset by the amount of gains or losses on the underlying sales. There were no fair value hedges for the period ended March 31, 2020.

Non-qualifying/economic hedges

Non-qualifying hedges related to commodity price risks and foreign currency exposure. The Company's sales are on a quotational period basis, generally one month after the date of delivery at a customer's facility. The Company enters into forward contracts for the respective quotational period to hedge its commodity price risk based on average LME prices. The Company enters into forward foreign currency contracts and commodity contracts (for the period ended March 31, 2020) which are not designated as hedges for accounting purposes, but provide an economic hedge of a particular transaction risk or a risk component of a transaction. Fair value changes on such forward contracts are recognised in the Statement of Profit and Loss.

The fair value of the Company's derivative positions recorded under derivative financial assets and derivative financial liabilities are as follows:

(₹ in Crore)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current				
Non - qualifying hedges				
Commodity contracts	-	20	1	-
Forward foreign currency contracts	4	16	-	12
Total	**4**	**36**	**1**	**12**

34. A. The following are the outstanding forward exchange contracts entered into by the Company and outstanding as at year end

(₹ in Crore)

Currency	Foreign currency	Indian Rupees	Buy / Sell	Cross Currency
As at March 31, 2020				
AUD	0	5	Buy	INR
EUR	0	28	Buy	INR
GBP	0	2	Buy	INR
USD	16	1,163	Buy	INR
AUD	1	51	Buy	USD
EUR	5	383	Buy	USD
GBP	0	5	Buy	USD
SEK	2	12	Buy	USD
ZAR	2	7	Buy	USD

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(₹ in Crore)

Currency	Foreign currency	Indian Rupees	Buy / Sell	Cross Currency
As at March 31, 2019				
AUD	0	11	Buy	INR
EUR	2	182	Buy	INR
SEK	1	6	Buy	INR
USD	28	1,976	Buy	INR
AUD	1	44	Buy	USD
EUR	1	53	Buy	USD
GBP	0	4	Buy	USD
SEK	0	3	Buy	USD
JPY	9	6	Buy	USD

B. The following are the outstanding position of commodity hedging open contracts as at March 31, 2020 :-

Zinc forwards/futures sale/buy for 2,150 MT (2019: 10,125 MT)

Lead forwards/futures sale/buy for 10,400 MT (2019: 5,350 MT)

Silver forwards/futures sale/buy for 854,960 Oz (2019: 1,183,591 Oz)

C. All derivative and financial instruments acquired by the Company are for hedging purposes.

D. Unhedged foreign currency exposure

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Debtors	**276**	58
Creditors	**115**	140

35. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth. The Company's overall strategy remains unchanged from previous year. The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments. The funding requirements are met through a mixture of internal accruals, equity and short-term borrowings. There are no long-term borrowings outstanding as at end of the year. The Company monitors capital on the basis of net debt to equity. Equity comprises all components including other components of equity. The Company is not subject to any externally imposed capital requirement.

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Equity	**40,310**	**33,605**
Cash and cash equivalents (See Note 11)	**1,878**	2
Short-term investments (See Note 9)	**20,329**	19,488
Total cash (a)	**22,207**	**19,490**
Total debt (b)	**611**	**2,538**
Net debt (b-a)	-	-
Total equity (equity + net debt) (See Statement of changes in Equity)	**40,310**	**33,605**
Net debt to equity ratio (gearing ratio)	-	-

Notes to the Financial Statements

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36. RELATED PARTY

a. List of related parties:

Particulars

(i) Holding Companies:

Vedanta Limited (Immediate Holding Company)

Vedanta Resources Limited (Intermediate Holding Company)

Volcan Investments Limited (Ultimate Holding Company)

(ii) Fellow Subsidiaries (with whom transactions have taken place):

Bharat Aluminium Company Limited

Sterlite Power Transmission Limited

Talwandi Sabo Power Limited

Konkola Copper Mines Plc.

Fujairah Gold FZC

Black Mountain Mining (Pty) Limited

Namzinc (Pty) Limited

Vizag General Cargo Berth Private Limited

(iii) Related Party having a Significant Influence

Government of India - President of India

(iv) Other related party

Vedanta Foundation

Madanpur South Coal Company Limited (jointly controlled entity)

Hindustan Zinc Limited Employee's Contributory Provident Fund Trust

Hindustan Zinc Limited Employee's Group Gratuity Trust

Hindustan Zinc Limited Superannuation Trust

b. Transactions with Key management Personnel:

Compensation of key management personnel of the Company recognised as expense during the reporting period

(₹ in Crore)

Nature of transactions	For the year ended March 31, 2020	For the year ended March 31, 2019
Short-term employee benefits (1)	9	10
Sitting fee and commission to directors	1	1
Share-based payment transactions	-	4
Total compensation paid to key management personnel	**10**	**15**

(1) Excludes gratuity and compensated absences as these are recorded in the books of accounts on the basis of actuarial valuation for the Company as a whole and hence individual amount cannot be determined.

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for the year ended March 31, 2020

c. Transactions with Government having significant influence:

Central government of India holds 29.54% shares in HZL. During the year, Company has availed incentives in the form of export incentive under Export promotion and credit guarantee scheme announced by the Government of India. Also, HZL has transactions with other government related entities (Public sector undertakings) including but not limited to sales and purchase of goods and ancillary materials, rendering and receiving services and use of public utilities.

d. Transactions with Related Parties:

The details of the related party transactions entered into by the Company, for the period ended March 31, 2020 and March 31, 2019 are as follows

(₹ in Crore)

Nature of transactions	For the year ended March 31, 2020	For the year ended March 31, 2019
Sale of Goods		
Sterlite Power Transmission Ltd	2	1
Fujairah Gold FZC	14	20
Total	**16**	**21**

(₹ in Crore)

Nature of transactions	For the year ended March 31, 2020	For the year ended March 31, 2019
Purchase of property, plant and equipment		
Vedanta Limited	0	0
Total	**0**	**0**
Interest Income		
Konkola Copper Mines Plc.	-	0
Total	**-**	**0**
Purchase of Goods		
Vedanta Ltd	11	4
Bharat Aluminium Company Limited	18	21
Sterlite Power Transmission Ltd	-	1
Total	**29**	**26**
Dividend		
Vedanta Limited	-	5,486
Government of India	-	2,496
Total	**-**	**7,982**
Other Expenses and other reimbursements		
Vedanta Limited	68	111
Fellow Subsidiaries	(0)	0
Total	**68**	**111**
Donations		
Vedanta Foundation	0	0
Total	**0**	**0**
Contribution to :		
Hindustan Zinc Limited Employee's Contributory Provident Fund Trust	31	29
Hindustan Zinc Limited Employee's Group Gratuity Trust	54	62
Hindustan Zinc Limited Superannuation Trust	3	3
Total	**88**	**94**

All the transactions entered by the Company with the related parties are at arm's length price.

Notes to the Financial Statements

for the year ended March 31, 2020

The balances receivable/payable as at year end:

(₹ in Crore)

Particulars	As at March 31, 2020	As at March 31, 2019
Receivable From		
Konkola Copper Mines Plc.	0	0
Vedanta Ltd.	15	0
Fujairah Gold FZC	5	5
Black Mountain Mining (PTY) Limited	0	0
Talwandi Sabo Power Limited	-	0
Total	**20**	**5**
Payable To		
Bharat Aluminium Company Limited	6	4
Vedanta Ltd.	1	10
Sterlite Power Transmission Limited	0	2
Hindustan Zinc Limited Employee's Contributory Provident Fund Trust	10	10
Hindustan Zinc Limited Employee's Group Gratuity Trust	35	54
Hindustan Zinc Limited Superannuation Trust	0	0
Total	**52**	**80**

e. Related party transactions & balances of "0" represents value less than ₹0.50 Crore

37. The Board of Directors of the Company on May 12, 2020 declared an interim dividend of ₹16.50 per equity share aggregating to ₹6,972 Crore for the current financial year ending on March 31, 2020. Other than that no significant events have occurred subsequent to the balance sheet date which may require additional disclosures or any adjustments to the financial statements.

38. Previous year figures have been regrouped/reclassified where ever necessary, to conform to those of the current year presentation.

See accompanying notes to financial statements.

As per our report on even date

For **S. R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration No.: 301003E/E300005

per **Sudhir Soni**
Partner
ICAI Membership No.: 41870

Date: May 21, 2020
Place: Mumbai

For and on behalf of the Board of Directors

Sunil Duggal
CEO & Whole-time Director
DIN: 07291685

A. R. Narayanaswamy
Director
DIN: 00818169
Place: Mumbai

Swayam Saurabh
Chief Financial Officer

R. Pandwal
Company Secretary
ICSI Membership No.: A9377

Date: May 21, 2020
Place: Udaipur