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34 Exceptional Items

(₹ in crore)

Particulars	Year ended 31 March 2024			Year ended 31 March 2023*		
	Exceptional Items	Tax effect of exceptional items	Exceptional items after tax	Exceptional Items	Tax effect of exceptional items	Exceptional items after tax
Property, plant and equipment ("PPE"), exploration intangible assets under development, capital work-in-progress ("CWIP"), investments and other assets (impaired)/ reversal or (written off)/ written back in:						
- Oil and Gas						
1) Reversal of previously recorded impairment/ net (loss)/ gain on buy back [a,b]	1,599	(138)	1,461	910	-	910
- Power						
1) CWIP written off (Refer note 3(d)(i))	-	-	-	(8,133)	2,036	(6,097)
- Copper (Refer note 3(c)(A)(ii))	(746)	188	(558)	-	-	-
- Aluminium [c]	(131)	33	(98)	-	-	-
- Unallocated						
1) Gain on redemption of OCRPS [d]	3,287	-	3,287	-	-	-
2) Reversal of previously recorded impairment [d,e,f]	1,064	-	1,064	3,967	-	3,967
SAED on Oil and Gas sector [g]	-	-	-	(524)	103	(421)
Total	**5,073**	**83**	**5,156**	**(3,780)**	**2,139**	**(1,641)**

** Restated, refer note 3(d)(i)*

a. (i) The Government of India ("GoI"), acting through the Directorate General of Hydrocarbons ("DGH"), had raised a demand up to 14 May 2020 for Government's additional share of Profit Oil based on its computation of disallowance of cost incurred over retrospective re-allocation of certain common costs between Development Areas (DAs) of Rajasthan Block and certain other matters aggregating to ₹ 9,545 crore (US$ 1,162 million) and applicable interest thereon representing share of Vedanta Limited and its subsidiary.

The Company had disputed the aforesaid demand and invoked arbitration as per the provisions of the Production Sharing Contract. The Company has received the Final Partial Award dated 22 August 2023 from the Arbitration Tribunal ('the Tribunal") as amended by order dated 15 November 2023 and 08 December 2023 ("the Award"), dismissing the Government's contention of additional Profit Petroleum in relation to allocation of common development costs across Development Areas and certain other matters in accordance with terms of the Production Sharing Contract for Rajasthan Block, while disallowing some matters. Further, the Tribunal has decided that the Company was allowed to claim cost recovery of exploration cost for the purpose of computation of Profit Oil.

Pursuant to the Award, the Company has recognised a benefit of ₹ 2,381 crore (US$ 289 million) in revenue from operations and reversed previously recognised impairment on PPE of ₹ 550 crore (US$ 67 million) during the year ended 31 March 2024 (refer note (ii) for details of recoverable value). Further, the Company has reversed previously recognised impairment on investments in wholly owned subsidiary, Cairn India Holding Limited ("CIHL") of ₹ 1,082 crore (US$ 131 million) on account of increase in valuation of CIHL pursuant to the Award.

GoI has sought an additional award or interpretation/ clarification on certain matters decided by the Tribunal under the Indian Arbitration and Conciliation Act, 1996 ("the Act") ("GoI Application"). The Tribunal vide its orders dated 15 November 2023 and 08 December 2023 has dismissed GOI's interpretation and additional award applications in favour of the Company. The Company has adjusted the liability during the current year of ₹ 970 crore (US$ 116 million) against the aforesaid benefits recognised as per the Award.

GoI has filed interim relief application on 03 February 2024 stating that the Company has unilaterally enforced the award although the quantification of the same is pending.

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The Company is of the view that it is bound to implement the award. Further, the application by GoI does not meet the strict criteria for grant of interim injunction. The matter was heard on 26 March 2024 and order of the Tribunal is awaited.

GoI also has filed an appeal on 07 March 2024 against the Award in Delhi High Court and the matter was heard on 14 March 2024. No stay was granted and petition was not admitted. Next date of hearing is 01 May 2024.The Company is of the view that there is no merit in the challenge filed by GoI, as the Court cannot re-appreciate the evidence in Section 34 appeal as the interpretation by the Tribunal is plausible.

(ii) As at 30 September 2023, the Company has recognised a net impairment reversal of ₹ 550 crore (US$ 67 million) on its assets in the oil and gas producing facilities pursuant to Final partial arbitration award (Refer note (i) above). The recoverable amount of the Company's share in Rajasthan Oil and Gas cash generating unit ("RJ CGU") is determined to be ₹ 5,897 crore (US$ 709 million) as at 30 September 2023. The recoverable amount of the RJ CGU is determined based on the fair value less costs of disposal approach, a level-3 valuation technique in the fair value hierarchy, as it more accurately reflects the recoverable amount based on the Company's view of the assumptions that would be used by a market participant. This is based on the cash flows expected to be generated by the projected oil and natural gas production profiles up to 2040, the expected dates of cessation of production sharing contract (PSC)/ cessation of production from each producing field based on the current estimates of reserves and risked resources. Reserves assumptions for fair value less costs of disposal tests consider all reserves that a market participant would consider when valuing the asset, which are usually broader in scope than the reserves used in a value-in-use test. Discounted cash flow analysis used to calculate fair value less costs of disposal uses assumption for short-term oil price of US$ 79 per barrel for the next one year and tapers down to long-term nominal price of US$ 74 per barrel three years thereafter derived from a consensus of various analyst recommendations. Thereafter, these have been escalated at a rate of 2.4% per annum. The cash flows are discounted using the post-tax nominal discount rate of 11.32% derived from the post-tax weighted average cost of capital after factoring in the risks ascribed to PSC extension including successful implementation of key growth projects. Based on the sensitivities carried out by the Company, change in crude price assumptions by US $ 1/bbl and changes to discount rate by 1% would lead to a change in recoverable value by ₹ 50 crore (US$ 6 million) and ₹ 199 crore (US$ 24 million) respectively.

b. During the year ended 31 March 2023, the Board of Cairn India Holdings Limited ("CIHL"), a wholly owned subsidiary of the Company, approved the scheme of buyback upto US$ 500 million @ approximately US$ 3.3 per share. Pursuant to the same, CIHL has bought back 5,18,51,837 shares for ₹ 1,389 crore (US$ 168 million) (31 March 2023: 10,24,69,151 shares for ₹ 2,665 crore (US$ 332 million)). Consequently, the Company has recorded a net loss of ₹ 33 crore (31 March 2023: gain of ₹ 910 crore), on account of:

i. Realised loss of ₹ 326 crore (31 March 2023: ₹ 630 crore) on account of buy back of investment set off by reversal of previously recorded impairment of ₹ 293 crore (31 March 2023: ₹ 813 crore) on investment bought back.

ii. An earlier impairment charge of ₹ 727 crore had been reversed during the year year ended 31 March 2023 on remaining investment in CIHL.

c. Represents certain items of CWIP, which have been written off during the year ended 31 March 2024 as they are no longer expected to be used.

d. During the year ended 31 March 2023, the Company had recognised an impairment reversal of ₹ 3,187 crore on the investments in OCRPS ("Optionally Convertible Redeemable Preference Shares") of THL Zinc Ventures Limited ("THLZVL"), a wholly owned subsidiary of the Company.

Recoverable amount of the OCRPS had been determined based on the valuation of Zinc International business ("VZI") held under THLZVL. The recoverable amount of VZI had been determined based on the fair value less cost of disposal approach, using the discounted cash flow method ("DCF method"), a level 3 valuation technique in the fair value hierarchy. This was based on the cash generated by the extraction and sale of proved and probable reserves/ natural estimated resources which are yet to be exploited during the estimated predetermined life of mine ("LOM") after deducting costs of closure and rehabilitation after expiry of LOM. The cash flows were discounted using the post tax weighted average cost of capital ranging 8.40% to 10.44%. Based on the sensitivities carried out by the Company using the risk adjustment factor of 5%, the recoverable amount was higher than the carrying value, resulting in impairment reversal.

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During the current year ended 31 March 2024, these OCRPS have been redeemed and the Company has recorded a foreign exchange gain of ₹ 2,597 crore on this redemption.

Further, the Company held investments in OCRPS of ₹ 2,495 crore in THL Zinc Holding BV ("THLZBV"), a wholly owned subsidiary of the Company which was fully impaired in the books of the Company. During the year ended 31 March 2024, THLZBV redeemed investments amounting to ₹ 860 crore. Accordingly, the Company has recorded an impairment reversal of ₹ 860 crore and foreign exchange gain of ₹ 690 crore on the redemption of these OCRPS in THLZBV.

e. Refer note 3(d)(iv)

f. During the year ended 31 March 2023, the Company had recognised an impairment reversal of ₹ 780 crore on its investments in Bloom Fountain Limited ("BFL"), a wholly owned subsidiary of the Company, mainly due to restart of commercial mining operations at Western Cluster Limited, Liberia ("WCL"), a wholly owned subsidiary of BFL.

During the previous year, WCL had signed a Memorandum of Understanding with the Government of Liberia to restart its mining operations and commenced commercial production at its Bomi Mines from July 2022.

g. The GoI vide its notification dated 30 June 2022 levied Special Additional Excise Duty ("SAED") on production of crude oil, i.e., cess on windfall gain triggered by increase in crude oil prices which was effective from 01 July 2022. The consequential net impact of the said duty had on the results was presented as an exceptional item for the year ended 31 March 2023. SAED is continuing as levy like other duty of excise, that forms part of ordinary business of production of crude oil and hence, consequential impact of the said duty has been presented as an ordinary item in these financial statements for the year ended 31 March 2024.

35 Tax expense

(a) Tax charge/ (benefit) recognised in profit or loss (including on exceptional items)

(₹ in crore)

	Year ended 31 March 2024	Year ended 31 March 2023*
Current tax:		
Current tax expense on profit for the year	1,175	3,790
Current tax benefit - exceptional items (Refer Note 34)	(33)	(1,471)
Effect of change in Tax Regime**	(1,786)	-
Total Current Tax (a)	**(644)**	**2,319**
Deferred tax:		
Origination and reversal of temporary differences	(108)	(4,033)
Benefit in respect of exceptional items (Refer Note 34)	(50)	(668)
Effect of change in Tax Regime**	7,914	-
Total Deferred Tax (b)	**7,756**	**(4,701)**
Net tax charge/ (benefit) (a+b)	**7,112**	**(2,382)**
Profit before tax	13,735	18,877
Effective income tax rate (%)	**52%**	**(13%)**

Tax expense

(₹ in crore)

Particulars	Year ended 31 March 2024	Year ended 31 March 2023*
Tax benefit on exceptional items	(83)	(2,139)
Effect of change in Tax Regime**	6,128	-
Tax expense/ (benefit) - others	1,067	(243)
Net tax charge/ (benefit)	**7,112**	**(2,382)**

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(b) A reconciliation of income tax expense/ (benefit) applicable to profit before tax at the Indian statutory income tax rate to recognised income tax expense/ (benefit) for the year indicated are as follows:

(₹ in crore)

Particulars	Year ended 31 March 2024	Year ended 31 March 2023*
Profit before tax	**13,735**	**18,877**
Indian statutory income tax rate	25.168%	34.944%
Tax at statutory income tax rate	**3,457**	**6,596**
Deduction u/s 80M	(1,250)	(7,254)
Tax holidays	-	(355)
Change in deferred tax balances due to change in tax law	-	16
Unrecognised tax assets (Net)	(1,357)	(1,707)
Capital gains/other items subject to lower tax rate	-	301
Impact of change in Tax Regime**	6,128	-
Other permanent differences	134	21
Total	**7,112**	**(2,382)**

**Restated, refer note 3(d)(i)*

***Pursuant to the introduction of Section 115BAA of the Income-tax Act, 1961 ("New Tax Regime"), the Company has an option to pay corporate income tax at a lower rate of 22% plus applicable surcharge and cess as against the currently applicable rate of 30% plus surcharge and cess. Under the New Tax Regime, provisions of Section 115 JB-Minimum Alternate Tax (MAT) are no longer applicable.*

During the year ended 31 March 2024, the Company has elected to adopt New Tax Regime from FY 2022-23 onwards due to expected corporate actions and other considerations and the first tax return under the New Tax Regime has been filed for FY 2022-23 on 29 November 2023. Upon adoption of New Tax Regime for FY 2022-23, the current tax charge is lower by ₹1,786 crore (mainly on account of section 80M benefit not available under MAT) and deferred tax charge is higher by ₹151 crore. Further, the MAT credit balance of ₹7,763 crore, for periods up to 31 March 2023, has been expensed. Consequently, the net impact of the above amounting to ₹6,128 crore is accounted for as exceptional tax expense in the year ended 31 March 2024.

Accordingly, current year tax expense is not comparable with the reported tax expense for the year ended 31 March 2023.

(c) Deferred tax assets/ liabilities

The Company has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of property, plant and equipment. Significant components of deferred tax (assets) and liabilities recognised in the balance sheet are as follows :

For the year ended 31 March 2024

(₹ in crore)

Significant components of Deferred tax (assets) and liabilities	Opening balance as at 01 April 2023*	Charged/ (credited) to statement of profit and loss	Charged/ (credited) to other comprehensive income#	Exchange difference and other adjustments	Charged/ (credited) to equity	Closing balance as at 31 March 2024
Property, Plant and Equipment	2,692	(346)	-	59	-	2,405
Voluntary retirement scheme	1	-	-	-	-	1
Employee benefits	5	(5)	(7)	-	-	(7)
Fair valuation of derivative asset/liability	(75)	21	(8)	-	-	(62)
Fair valuation of other asset/ liability	(36)	10	-	-	-	(26)
MAT credit entitlement	(7,763)	7,763	-	-	-	-
Other temporary differences	(734)	313	(3)	2	-	(422)
Total	**(5,910)**	**7,756**	**(18)**	**61**	**-**	**1,889**

Out of total tax benefit on items of OCI in Statement of Profit and Loss, deferred tax benefit is shown in above table. Balance tax benefit is of current tax nature on foreign currency translation difference.