CEAT Specialty Tyres Limited

Balance Sheet as at March 31, 2018

(Amount in ₹)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	3	2,412,648,026	497,886,079
Capital work-in-progress	3	926,531,468	2,126,983,046
Intangible assets	4	147,401,223	9,893,925
Intangible assets under development	4	6,149,350	69,760,239
Financial Assets:			
Investments	5	2,579,200	
Loans	6	925,000	975,000
Other financial assets	7	1,964,846	4,572,161
Deferred tax assets (net)	8	-	-
Other non-current assets	9	116,528,627	150,044,081
Total non-current assets		**3,614,727,740**	**2,860,114,531**
Current assets			
Inventories	10	192,937,202	129,388,504
Financial Assets:			
Trade receivables	11	511,578,787	303,458,332
Cash and cash equivalents	12	27,807,654	60,611,818
Loans	13	7,834,789	5,852,508
Other financial assets	14	-	10,389,281
Current tax assets (net)	15	83,493	67,255
Other current assets	16	327,056,689	87,757,190
Total current assets		**1,067,298,614**	**597,524,888**
Total assets		**4,682,026,354**	**3,457,639,419**
Equity and liabilities			
Equity			
Equity Share Capital	17	180,500,000	110,500,000
Other Equity	18	1,019,486,269	810,166,646
Total equity		**1,199,986,269**	**920,666,646**
Non-current liabilities:			
Financial liabilities			
Borrowings	19	1,788,585,750	1,476,311,457
Provisions	20	5,777,236	4,107,318
Deferred Revenue	21	38,376,046	36,301,664
Total non-current liabilities		**1,832,739,032**	**1,516,720,439**
Current liabilities:			
Financial Liabilities			
Borrowings	22	991,410,735	500,000,000
Trade payables	23	428,469,753	240,251,595
Other financial liabilities	24	198,864,064	256,023,361
Deferred Revenue	21	2,074,381	5,185,952
Other current liabilities	25	22,351,739	16,261,353
Provisions	20	6,130,381	2,530,073
Total current liabilities		**1,649,301,053**	**1,020,252,334**
Total equity and liabilities		**4,682,026,354**	**3,457,639,419**
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number :101143
Place: Mumbai
Date: April 30, 2018

For and on behalf of Board of Directors of CEAT Specialty Tyres Limited

Sandeep Sarkhot
Chief Financial Officer

Vijay Gambhire
Managing Director
DIN: 08077671

Arnab Banerjee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018

CEAT Specialty Tyres Limited

Statement of Profit and Loss for the year ended March 31, 2018

(Amount in ₹)

Particulars	Note No.	2017-18	2016-17
Income:			
Revenue from operations	26	2,663,705,835	2,238,605,096
Other Income	27	2,870,438	3,117,906
Total Income		**2,666,576,273**	**2,241,723,002**
Expenses:			
Cost of Raw materials consumed	28	204,979,694	-
Purchase of traded goods	29	2,068,063,847	1,993,900,272
Changes in inventories of traded goods, finished goods and work in progress	30	(27,019,968)	(46,780,623)
Employee benefit expense	31	176,578,966	119,851,845
Finance costs	32	149,952,359	41,554,828
Depreciation and amortization expenses	33	65,707,772	5,377,801
Other expenses	34	402,086,399	228,140,611
Total expenses		**3,040,349,069**	**2,342,044,734**
Loss before tax		**(373,772,796)**	**(100,321,732)**
Tax expense:			
Current tax			
Deferred tax			
Loss for the year		**(373,772,796)**	**(100,321,732)**
Other Comprehensive Income			
Items that will not be reclassified subsequently to statement of profit and loss	35	(1,632,549)	(832,240)
Remeasurement losses on defined benefit plans			
Items that will be reclassified subsequently to the statement of profit and loss	35	(45,275,033)	45,042,128
Net movement on cash flow hedges			
Total Comprehensive Income for the year (Comprising Loss and Other Comprehensive Income for the year)		**(420,680,378)**	**(56,111,844)**
Earnings per equity share (of ₹ 10 each)	37		
Basic (in ₹)		(28.78)	(9.23)
Diluted (in ₹)		(28.78)	(9.23)
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number :101143
Place: Mumbai
Date: April 30, 2018

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

Sandeep Sarkhot
Chief Financial Officer

Vijay Gambhire
Managing Director
DIN: 08077671

Arnab Banerjee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018

CEAT Specialty Tyres Limited

Statement of Cash Flows for the year ended March 31, 2018

(Amount in ₹)

Particulars	2017-18	2016-17
A) CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	**(373,772,796)**	**(100,321,732)**
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation and amortisation	65,707,772	5,377,801
Interest income	(836,264)	(824,105)
Finance cost	149,952,359	41,554,828
Dividend income	(215,253)	(2,293,801)
Remeasurement loss on defined benefit plans	-	(832,240)
Operating loss before working capital changes	(159,164,182)	(57,339,249)
Adjustments for :		
(Increase)/decrease in inventories	(63,548,698)	(47,719,508)
(Increase)/decrease in trade receivables	(208,120,455)	(114,697,740)
(Increase)/decrease in current loans and other current assets	(241,281,779)	(59,350,186)
(Increase)/decrease in non-current loans and other non-current assets	449,100	(2,516,227)
(Increase)/decrease in other current financial assetS	10,389,281	(10,389,281)
Increase/(decrease) in trade payables	188,218,158	84,195,911
Increase/(decrease) in other current liabilities	6,090,385	(2,590,953)
Increase/(decrease) in other current financial liabilities	1,975,178	16,707,029
Increase/(decrease) in deferred revenue	(1,037,189)	41,487,616
Increase/(decrease) in current provisions	3,600,308	(1,242,412)
Increase/(decrease) in non-current provisions	1,669,918	(1,293,176)
Cash flows used in operating activities	**(460,759,975)**	**(154,748,176)**
Direct taxes paid	(16,237)	(67,255)
Net cash flows used in operating activities (A)	**(460,776,212)**	**(154,815,431)**
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (including capital work-in-progress and capital advance)	(876,861,310)	(1,693,496,655)
Investment in fixed deposit (Margin Money)	2,951,591	(2,532,932)
(Purchase)/disposal of current investments (net)	(2,579,200)	1,572,672
Interest received	491,988	998,156
Dividends received	215,253	2,293,801
Net cash flows used in investing activities (B)	**(875,781,678)**	**(1,691,164,958)**
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	312,274,293	1,476,311,457
Change in short-term borrowings (net)	(55,275,033)	145,231,217
Proceeds from short-term buyers credit	501,410,735	-
Proceeds from issuance of equity share capital (including share premium)	700,000,000	100,000,000
Interest paid	(153,023,720)	(32,344,365)
Net cash flows from financing activities (C)	**1,305,386,275**	**1,689,198,309**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**(31,171,615)**	**(156,782,080)**
Cash and cash equivalents at the beginning of the year (Refer note 12)	**60,611,818**	**217,393,898**
Cash and cash equivalents at the end of the year (Refer note 12)	**29,440,203**	**60,611,818**

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number :101143
Place: Mumbai
Date: April 30, 2018

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

Sandeep Sarkhot
Chief Financial Officer

Vijay Gambhire
Managing Director
DIN: 08077671

Arnab Banerjee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018

CEAT Specialty Tyres Limited

Statement of Changes in Equity for the year ended March 31, 2018

a. Equity share capital:

(Amount in ₹)

Particulars	Nos.	Amount
Equity shares of ₹ 10 each issued, subscribed and fully paid		
As at April 1, 2016	10,050,000	100,500,000
Issue of share capital	1,000,000	10,000,000
As at March 31, 2017	11,050,000	110,500,000
Issue of share capital	7,000,000	70,000,000
As at March 31, 2018	18,050,000	180,500,000

b. Other equity

(Amount in ₹)

Particulars	Reserves & Surplus		Items of OCI	Total
	Securities Premium reserve (Note 18)	Retained earnings (Note 18)	Cash Flow Hedge Reserve (Note 18)	
As at April 1, 2016	900,000,000	(123,721,510)	-	776,278,490
Loss for the year	-	(100,321,732)	-	(100,321,732)
Other comprehensive income	-	(832,240)	45,042,128	44,209,888
Total comprehensive income	**900,000,000**	**(224,875,481)**	**45,042,128**	**720,166,647**
Add : Issue of share capital	90,000,000	-	-	90,000,000
As at March 31, 2017	**990,000,000**	**(224,875,481)**	**45,042,128**	**810,166,647**
Loss for the year	-	(373,772,796)	-	(373,772,796)
Other comprehensive income	-	(1,632,549)	(45,275,033)	(46,907,582)
Total comprehensive income	990,000,000	(600,280,827)	(232,905)	**389,486,269**
Add : Issue of share capital	630,000,000	-	-	630,000,000
As at March 31, 2018	**1,620,000,000**	**(600,280,827)**	**(232,905)**	**1,019,486,269**

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number :101143
Place: Mumbai
Date: April 30, 2018

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

Sandeep Sarkhot
Chief Financial Officer

Vijay Gambhire
Managing Director
DIN: 08077671

Arnab Banerjee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 3: Property, plant and equipment and capital work-in-progress

(Amount in ₹)

Particulars	Leasehold land	Buidings	Plant and equipment	Capital work-in-progress	Total
Gross Carrying Amount					
As at April 1, 2016	501,897,100	-	560,175	383,409,978	885,867,253
Additions	-	-	3,466,253	1,743,573,068	1,747,039,321
As at March 31, 2017	501,897,100		4,026,428	2,126,983,046	2,632,906,574
As at April 1, 2017	501,897,100	-	4,026,428	2,126,983,046	2,632,906,573
Additions	155,044,870	437,652,607	1,370,455,585	756,676,025	2,719,829,087
Transfers/Capitalised	-	-	-	(1,957,127,603)	(1,957,127,603)
As at March 31, 2018	656,941,970	437,652,607	1,374,482,012	926,531,468	3,395,608,057
Accumulated Depreciation					
As at April 1, 2016	2,107,477	-	76,838	-	2,184,315
Depreciation charge for the year	5,283,188	-	569,946	-	5,853,134
As at March 31, 2017	7,390,665		646,784	-	8,037,449
Accumulated Depreciation	7,390,665	-	646,784	-	8,037,449
Depreciation charge for the year	6,077,284	4,481,314	37,832,515	-	48,391,114
As at March 31, 2018	13,467,949	4,481,314	38,479,299	-	56,428,563
Net Book Value					
As at March 31, 2017	**494,506,435**	-	**3,379,644**	**2,126,983,046**	**2,624,869,125**
As at March 31, 2018	**643,474,021**	**433,171,293**	**1,336,002,713**	**926,531,468**	**3,339,179,495**

Net Book Value

(Amount in ₹)

	As at March 31, 2018	As at March 31, 2017
Property, plant and equipment	2,412,648,026	497,886,079
Capital work in progress	926,531,468	2,126,983,046
Net book value	**3,339,179,495**	**2,624,869,125**

1. During the year, the Company has transferred the following expenses which are attributable to the construction activity and are included in the cost of capital work-in-progress (CWIP)/Fixed assets as the case may be. Consequently, expenses disclosed under the respective notes are net of such amounts.

(Amount in ₹)

Particulars	FY 2017-18	FY 2016-17
Employee benefit expense	49,125,710	21,859,423
Finance costs	90,070,982	48,283,976
Professional and consultancy charges	31,340,000	500,000
Amortization on leasehold land	2,648,831	5,283,188
Rates and Taxes	11,571,620	29,497,269
Other expenses	27,650,475	16,703,081
Total	**212,407,618**	**122,126,937**

2. Refer Note 19 for details on pledges and securities

3. The amount of borrowing cost capitalised during the year ended March 31, 2018 was INR 90,070,982 (March 31, 2017 INR 48,283,976). The rate used to determine the amount of borrowing cost eligible for capitalisation was 8.62 % (March 31, 2017 - 8.62 %) which is the effective interest rate of specific borrowings

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 4: Intangible assets

(Amount in ₹)

Particulars	Software	Intangible assets under development	Total
Gross Carrying Amount			
As at April 1, 2016	11,484,491	8,436,274	19,920,765
Additions	4,169,100	65,493,065	69,662,165
Transferred		(4,169,100)	(4,169,100)
As at March 31, 2017	**15,653,591**	**69,760,239**	**85,413,830**
As at April 1, 2017	15,653,591	69,760,239	85,413,830
Additions	157,472,790	87,615,370	245,088,160
Transferred	-	(151,226,259)	(151,226,259)
As at March 31, 2018	**173,126,381**	**6,149,350**	**179,275,731**
Amortization and Impairment			
As at April 1, 2016	951,811	-	951,811
Additions	4,807,855	-	4,807,855
As at March 31, 2017	**5,759,666**	**-**	**5,759,666**
As at April 1, 2017	5,759,666	-	5,759,666
Additions	19,965,492	-	19,965,492
As at March 31, 2018	**25,725,158**	**-**	**25,725,158**
Net Book Value			
As at March 31, 2017	**9,893,925**	**69,760,239**	**79,654,164**
As at March 31, 2018	**147,401,223**	**6,149,350**	**153,550,573**

Net Book Value

(Amount in ₹)

Particulars	**March 31, 2018**	**March 31, 2017**
Software	147,401,223	9,893,925
Intangible assets under development	6,149,350	69,760,239
Net book value	**153,550,573**	**79,654,164**

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

(Amount in ₹)

Note 5: Investments

	As at March 31, 2018	As at March 31, 2017
Non Current (at amortized cost)		
Unquoted equity shares (Non-trade)		
Investment in Subsidiaries		
400 (March 31, 2017 : Nil) equity shares of CEAT Specialty Tires INC. (Face value : USD 1 each)	2,579,200	-
	2,579,200	**-**

Note 6: Loans

	As at March 31, 2018	As at March 31, 2017
Non current (at amortised cost)		
Unsecured, considered good:		
Security Deposits	925,000	975,000
Total	**925,000**	**975,000**

Note 7: Other financial assets

	As at March 31, 2018	As at March 31, 2017
Non current (at amortised cost)		
Unsecured, considered good		
Margin money deposits	1,286,341	4,237,932
Interest receivable	678,505	334,229
Total	**1,964,846**	**4,572,161**

The margin money deposits are for bank guarantees given to statutory authorities.

Note 8: Deferred tax assets (net)

	As at March 31, 2018	As at March 31, 2017
Major components of deferred tax assets and deferred tax liabilities:		
Deferred tax assets		
Business losses	65,833,743	2,083,987
Deferred tax liabilities		
Property, plant and equipment: impact of difference between tax depreciation and depreciation/amortisation for the financial reporting	65,833,743	2,083,987
Deferred tax assets (net)	-	-

The net deferred tax asset as at March 31, 2018 has not been accounted in view of the requirements as stated in Ind AS 12 on "Income Taxes".

Note 9: Other non-current assets

	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good :		
Capital advances	114,725,500	147,841,854
Prepaid Expense	1,777,127	2,176,227
Security Deposit	1,000	1,000
Balance with government authorities	25,000	25,000
Total	**116,528,627**	**150,044,081**

Note 10: Inventories (At Cost or NRV, whichever is lower)

	As at March 31, 2018	As at March 31, 2017
a) Raw materials	34,912,608	-
b) Work in progress	10,415,898	-
c) Finished goods	20,337,787	-
d) Traded goods	124,715,902	128,449,619
e) Stores and Spares	2,555,007	938,885
Total	**192,937,202**	**129,388,504**

(i)- Details of traded and finsihed goods under broad heads:

	As at March 31, 2018	As at March 31, 2017
Tyres	126,243,805	105,575,319
Tubes and others	18,809,884	22,874,300
Total	**145,053,689**	**128,449,619**

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 11: Trade receivables

	As at March 31, 2018	As at March 31, 2017
Trade receivables from others	511,578,787	303,458,332
Total receivables	**511,578,787**	**303,458,332**

Break-up for security details:

	As at March 31, 2018	As at March 31, 2017
Secured, Considered good*	49,410,000	70,081,994
Unsecured, Considered good	462,168,787	233,376,339
Doubtful	-	-
Total	511,578,788	303,458,332
Allowance for doubtful debts	-	-
Total trade receivables	511,578,788	303,458,332

*These debts are secured to the extent of security deposits obtained from the dealers.

-No trade receivables are due from directors or other officers of the company either severally or jointly with any other person.

-Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days credit period.

Note 12: Cash and cash equivalents

	As at March 31, 2018	As at March 31, 2017
Balances with Banks		
- On current Accounts	27,779,233	15,584,373
Deposits with Maturity of less than 3 months	-	45,000,000
Cash on hand	28,421	27,445
Cash and cash equivalent as per statement of cash flow	**27,807,654**	**60,611,818**

Note 13: Loans

	As at March 31, 2018	As at March 31, 2017
Current (at amortised cost)		
Unsecured, Considered Good:		
Advance receivable in cash	7,834,789	5,852,508
Total	**7,834,789**	**5,852,508**

Note 14: Other financial assets

	As at March 31, 2018	As at March 31, 2017
At fair value through other comprehensive income		
Derivative financial instrument	-	10,389,281
Total	-	10,389,281

Note 15: Current tax assets (net)

	As at March 31, 2018	As at March 31, 2017
Advance payment of tax (net)	83,493	67,255
Current tax assets (net)	**83,493**	**67,255**

Note 16: Other current assets

	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Advance receivable in kind or for value to be received	17,600,430	5,273,223
Reimbursement towards warranty provision from related party	4,808,061	1,852,970
Balance with government authorities	292,252,075	75,732,263
Advance to employees	2,368,448	1,359,348
Prepaid expense	10,027,676	3,539,386
Total	**327,056,690**	**87,757,190**

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 17: Equity share capital

Authorised share capital	**Equity shares**		**Preference Shares**	
	Numbers	**₹**	**Numbers**	**₹**
As at April 1, 2016	11,550,000	115,500,000	1,750,000	175,000,000
Increase / (decrease) during the year	-	-	-	-
As at March 31, 2017	11,550,000	115,500,000	1,750,000	175,000,000
Increase / (decrease) during the year	17,500,000	175,000,000	(1,750,000)	(175,000,000)
As at March 31, 2018	29,050,000	290,500,000	-	-

Issued, Subscribed and Paid-up share capital
Equity shares of ₹ 10 each issued, subscribed and fully paid

	Numbers	**₹**
As at April 1, 2016	10,050,000	100,500,000
Allotted during the year	1,000,000	10,000,000
As at March 31, 2017	11,050,000	110,500,000
Allotted during the year	7,000,000	70,000,000
As at March 31, 2018	18,050,000	180,500,000

Terms / rights attached to equity shares

The Company has only one class of equity shares having face value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per equity share. Dividend is recommended by the Board of Directors and is subject to the approval of the members at the ensuing Annual General Meeting except interim dividend. The Board of Directors have a right to deduct from the dividend payable to any member, any sum due from shareholder to the Company.

In the event of winding-up, the holders of equity shares shall be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by shareholders.

The shareholders have all other rights as available to equity shareholders as per the provision of the Companies Act applicable in India read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

Details of shareholders holding more than 5% shares in the Company

Name of the shareholders	**As at March 31, 2018**		**As at March 31, 2017**	
	Numbers	**% holding in the class**	**Numbers**	**% holding in the class**
Equity shares of ₹ 10 each fully paid				
CEAT Ltd and its nominees	18,050,000	100.00%	11,050,000	100.00%

Shares held by holding company

Name of the shareholders	**As at March 31, 2018**		**As at March 31, 2017**	
	Numbers	**% holding in the class**	**Numbers**	**% holding in the class**
Equity shares of ₹ 10 each fully paid				
CEAT Ltd and its nominees	18,050,000	100.00%	11,050,000	100.00%

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 18: Other equity

	As at March 31, 2018	As at March 31, 2017
Securities premium reserve (refer foot note a)	1,620,000,000	990,000,000
Cash flow hedge reserve (refer foot note b)	(232,905)	45,042,128
Retained earnings (refer foot note c)	(600,280,827)	(224,875,481)
Total	**1,019,486,269**	**810,166,647**

a) Securities premium reserve
Amount received on issue of shares in excess of the par value has been classified as security share premium

	₹
As at April 1, 2016	900,000,000
Premium on equity shares issued during the year	90,000,000
As at March 31, 2017	990,000,000
Premium on equity shares issued during the year	630,000,000
As at March 31, 2018	1,620,000,000

b) Cash flow hedge reserve
It represents mark-to-market valuation of effective hedges as required by Ind AS 109.

	₹
As at April 1, 2016	-
Gain arising during the year	45,042,128
As at March 31, 2017	45,042,128
Loss arising during the year	(45,275,033)
As at March 31, 2018	(232,905)

c) Retained earnings

	₹
As at April 1, 2016	(123,721,510)
Loss for the year	(100,321,732)
Other comprehensive income	(832,240)
As at March 31, 2017	(224,875,481)
Loss for the year	(373,772,796)
Other comprehensive income	(1,632,549)
As at March 31, 2018	(600,280,827)

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 19: Borrowings
(At amortised cost)

	As at March 31, 2018	As at March 31, 2017
Non-current interest bearing loans and borrowings:		
I. Secured:		
Term loans		
a) Indian rupee loan from banks		
ICICI Bank Ltd. (refer foot note 1 and 3)	1,444,998,250	444,442,500
YES Bank Ltd. (refer foot note 2 and 3)	343,587,500	242,875,000
b) Buyer's Credit from bank	-	407,668,293
c) Rupee Term Loan (FCNR)	-	381,325,664
Total	**1,788,585,750**	**1,476,311,457**

1. Term Loan from ICICI Bank of ₹ 145 crores is secured by first pari passu charge over the all movable and immovable fixed assets of the borrower and second pari-passu, charge by way of hypothecation on all current assets the Borrower. It carries interest at 8.50% p.a. as at March 31, 2018 and is repayable as under:

Year	% of loan	Schedule of repayment
2019-20	2.50%	To be repaid in 28 structured quarterly instalments, commencing (March 2020) at the end of 13th quarter from First Drawdown date (Dec 2016).
2020-21	10.00%	
2021-22	11.25%	
2022-23	15.00%	
2023-24	15.00%	
2024-25	15.63%	
2025-26	17.50%	
2026-27	13.13%	

2. Term Loan from YES Bank of ₹ 35 crores is secured by first pari passu charge over the all movable and immovable fixed assets of the borrower and second pari-passu, charge by way of hypothecation on all current assets the Borrower. It carries interest at 9.15% p.a. as at March 31, 2018 and is repayable as under:

Year	% of loan	Schedule of repayment
2019-20	5.00%	To be repaid in 28 structured quarterly instalments, commencing (Dec 2019) at the end of 13th quarter from First Drawdown date (September 2016).
2020-21	10.00%	
2021-22	12.50%	
2022-23	15.00%	
2023-24	15.00%	
2024-25	16.25%	
2025-26	17.50%	
2026-27	8.75%	

3. Outstanding balances shown in foot notes above, are grossed up to the extent of unamortized transaction cost.

Note 20: Provisions

	As at March 31, 2018	As at March 31, 2017
Non-current provisions		
Provision for gratuity	952,694	639,919
Provision for compensated absences (Refer foot note a)	4,824,542	3,467,399
Total	**5,777,236**	**4,107,318**
Current provisions		
Provision for warranty (Refer foot note b)	5,599,781	2,139,204
Provision for compensated absences (Refer foot note a)	530,600	390,869
Total	**6,130,381**	**2,530,073**

a) Compensated absences:
The company encashes leaves of employees as per the Company's leave encashment policy. A provision has been recognised for leave encashment liability based on the actuarial valuation of leave balance of employees as at year end.

Movement in provision for compensated absences:

	As at March 31, 2018	As at March 31, 2017
As at the beginning of the year	3,858,268	1,833,279
Additions during the year	1,496,874	2,024,989
As at the end of the year	5,355,142	3,858,268

b) Provision for warranty:
A provision is recognized for expected warranty claims on product sold during the last financial year, based on management's estimate and past experience on the level of returns and cost of claim. It is expected that significant portion of these costs will be incurred in the next financial year and within three years from the reporting date. Assumptions used to calculate the provision for warranty were used on current sales level and current information available about returns and claims received for all products sold.

Movement in provision for warranty:

	As at March 31, 2018	As at March 31, 2017
As at the beginning of the year	2,139,204	3,341,933
Additions during the year	8,943,209	9,148,272
Utilised during the year	(5,482,632)	(10,351,001)
As at the end of the year	5,599,781	2,139,204

The reimbursement receivable amounting to ₹ 4,808,061 (March 31, 2017: ₹ 18,52,970) in respect of the Warranty provision, has been recognized as an asset, in accordance with Company's accounting policy, and included under other current assets in Note 16.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 21: Deferred revenue

	As at March 31, 2018	As at March 31, 2017
Opening balance	-	-
Deferred during the year	41,487,617	41,487,616
Released to the statement of profit and loss	(1,037,190)	-
Total	40,450,427	41,487,616
Current	2,074,381	5,185,952
Non-current	38,376,046	36,301,665
Total	40,450,427	41,487,617

Note:

The deferred revenue relates to accrual of custom duty availed on import of plant and equipment for Ambernath plant under EPCG scheme. As at March 31, 2018 the estimated amount for deferred revenue amounted to ₹ 40,450,427 (March 31, 2017: ₹ 41,487,617)

Note 22: Borrowings

	As at March 31, 2018	As at March 31, 2017
Current		
Secured		
Buyer's Credit from bank (refer note (a)	501,410,735	-
Unsecured		
Inter corporate deposit from related party (refer note (b)	490,000,000	500,000,000
Total	991,410,735	500,000,000

Notes:

a) All short-term borrowings availed in foreign currency during the year (including FCNR & Buyers Credit forming a part of the Term Loan) carry interest in the range of LIBOR plus 20 bps to LIBOR plus 90 bps. (LIBOR is set corresponding to the period of the loan).

b) The Inter corporate deposit taken from Ceat Ltd is ₹ 490,000,000 as on March 31, 2018 (March 31, 2017: ₹ 50,00,00,000). The rate of interest on loan of ₹ 34,00,00,000 is 8.50 % p.a as on 31st March,2018 and on loan of ` 15,00,00,000 is 10.20 % p.a as on 31st March,2018

Note 23: Trade payables

	As at March 31, 2018	As at March 31, 2017
Trade Payables		
Dues to micro and small enterprises (Refer footnote)		
Trade payable to related parties *	223,621,601	169,973,004
Trade payables (others)	204,848,152	70,278,591
Total	428,469,753	240,251,595

Note:

There are no Micro and Small Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

* Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30 days credit terms
- For terms and conditions with related parties, refer to note 41.

Note 24: Other financial liabilities

	As at March 31, 2018	As at March 31, 2017
Current (at amortised cost)		
Interest accrued but not due on borrowings	8,556,455	11,627,816
Payable to capital vendors	118,250,437	174,313,551
Derivative financial instrument	1,826,735	-
Deposits from dealers & others	70,230,437	70,081,994
Total	198,864,064	256,023,361

Note 25: Other current liabilities

	As at March 31, 2018	As at March 31, 2017
Statutory dues	15,546,739	6,072,353
Advance from Customers	6,805,000	10,189,000
Total	22,351,739	16,261,353

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 26: Revenue from operations

	2017-18	2016-17
1)- Sale of Products :		
i) Sale of traded goods	2,424,457,065	2,235,440,498
ii) Sale of manufactured goods	224,711,340	-
2)- Other operating revenue		
i) Government grants (Refer foot note)	12,097,451	3,164,598
ii) Sales of Scrap	2,439,979	-
Total	**2,663,705,835**	**2,238,605,096**

Note:
The Company has recognised a government grant of ₹ 11,060,260.94 (March 31, 2016: ₹ 3,164,598) as income on account of Export Incentive under Merchandise Exports from India Scheme (MEIS) from Directorate General of Foreign Trade, Government of India. The company has also recognised grant of Rs.1,037,190 (March, 2017 : Nil) relating to benefit received from EPCG.

Details of sales under broad heads:

	2017-18	2016-17
Tyres	2,460,808,242	2,047,906,549
Tubes and others	188,360,163	187,533,949
Total	**2,649,168,405**	**2,235,440,498**

Note 27: Other Income

	2017-18	2016-17
Interest income on		
Bank deposits	827,564	822,045
Other deposits	8,700	2,060
Dividend income on current investments	215,253	2,293,801
Foreign exchange fluctuations (net)	1,818,921	-
Total	**2,870,438**	**3,117,906**

Note 28: Cost of materials consumed

Opening stock	-	-
Add : Purchases	239,892,302	-
Less : Closing stock	34,912,608	-
Total	**204,979,694**	-

Details of Raw materials consumed

	2017-18	2016-17
Bead	3,021,779	-
Fabric	40,944,218	-
Other Materials	2,810,661	-
Compound	158,203,036	-
Total	204,979,694	-

Details of closing Inventories

	2017-18	2016-17
Bead	1,443,313	-
Fabric	8,639,120	-
Other Materials	19,086,953	-
Compound	5,743,222	-
Total	**34,912,608**	-

Note 29: Purchase of Traded Goods

	2017-18	2016-17
Purchase of traded goods	2,068,063,847	1,993,900,272
Total	**2,068,063,847**	**1,993,900,272**

Note 30: Changes in inventories of traded goods

	2017-18	2016-17
Inventories at the beginning of the year		
a) Work-in-progress	-	-
b) Finished Goods	-	-
c) Traded Goods	128,449,619	81,668,996
	128,449,619	81,668,996
Inventories at the end of the year		
a) Work-in-progress	10,415,898	-
b) Finished Goods	20,337,787	-
c) Traded Goods	124,715,902	128,449,619
	155,469,587	128,449,619
Total change in inventories	(27,019,968)	**(46,780,623)**

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018

Note 31: Employee benefit expense

	2017-18	2016-17
Salaries, wages and bonus	143,372,059	103,144,652
Contribution to provident and other funds	6,899,809	4,366,166
Gratuity expenses (Refer note 39)	1,722,826	1,100,638
Staff welfare expenses	24,584,272	11,240,389
Total	**176,578,966**	**119,851,845**

Note 32: Finance costs

	2017-18	2016-17
Interest on debts and borrowings	133,824,906	37,777,827
Other finance charges	16,127,453	3,777,001
Total	**149,952,359**	**41,554,828**

Note 33: Depreciation and amortization expense

	2017-18	2016-17
Depreciation of tangible assets (Refer note 3)	45,742,280	569,946
Amortization of intangible assets (Refer note 4)	19,965,492	4,807,855
Total	**65,707,772**	**5,377,801**

Note 34: Other expenses

	2017-18	2016-17
Freight and delivery charges	75,301,738	63,674,352
Warehouse charges	4,505,857	4,738,935
Rent for premises	2,570,702	2,266,935
Lease rent	757,193	2,283,311
Rates and taxes	28,616	261,644
Insurance	4,417,770	1,786,779
Stores and spares consumed	5,590,196	-
Power and Fuel	28,347,823	-
Repairs Plant and Machinery	5,066,088	-
Repairs Building	43,600	-
Repairs Others	147,912	352,111
Travelling and conveyance	39,509,445	23,597,036
Printing and stationery	790,752	299,182
Payment to auditor (Refer foot note 1)	1,682,342	1,608,821
Advertisement and sales promotion expenses	80,037,911	37,151,372
Communication expenses	8,359,964	6,218,245
Legal charges	8,831,650	2,546,636
Professional and consultancy charges	52,275,810	14,448,257
Commission on sales	1,860,000	-
Training and conference expenses	4,114,269	1,280,500
Bank charges	5,957,643	2,959,866
Office expenses	35,008,925	35,705,205
Foreign exchange fluctuations (net)	-	9,498,067
Miscellaneous expenses	36,880,193	17,463,357
Total	**402,086,399**	**228,140,611**

1. Payments to auditor:

As auditor		
Audit fee*	950,000	950,000
Limited review	600,000	600,000
In other capacity:		
Certification fees	125,000	50,000
Reimbursement of expenses	7,342	8,821
Total payment to auditor	**1,682,342**	**1,608,821**

* exclusive of Service tax / GST

Note 35: Components of other comprehensive income

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

As at March 31, 2018

	Cash flow hedge reserve	Retained earnings
Net movement of cash flow hedges	(45,275,033)	[illegible]
Remeasurement losses on defined benefit plans	-	[illegible]
Total	(45,275,033)	[illegible]
As at March 31, 2017		
Net movement of cash flow hedges	45,042,128	[illegible]
Remeasurement losses on defined benefit plans	-	[illegible]
Total	45,042,128	[illegible]

CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 36: Research and development costs

	2017-18	2016-17
Capital expenditure	57,658,125	11,315,659
Revenue expenditure	47,138,307	2,828,915
Total	104,796,432	14,144,574

The above expenditure of research and development has been determined on the basis of information available with the Company and as certified by the management.

Note 37: Earning per share
Basic Earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2017-18	2016-17
Net loss after tax for calculation of basic and diluted EPS	(373,772,796)	(100,321,732)
Weighted average number of equity shares (face value per share ₹ 10) in calculating basic EPS and diluted EPS	12,986,986	10,869,178
Basic earnings per share	(28.78)	(9.23)
Diluted earnings per share	(28.78)	(9.23)

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 1: Corporate information

CEAT Specialty Tyres Limited ('Company') is a wholly owned subsidiary of CEAT Limited and is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of manufacturing and trading in Off the Road (OTR) Tyres. The Company started operations in 2015 when its name was changed from Unitgro Comtrade Private Limited to CEAT Specialty Tyres Private Limited and subsequently converted to CEAT Specialty Tyres Limited. The Company caters to both domestic and international markets. The registered office of the Company is situated at RPG House, 463, Dr. Annie Besant Road, Worli, Mumbai – 400030.

Note 2: Basis of Preparation and Summary of significant accounting policies:

1. Basis of accounting and preparation of financial statements

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.

These financial statements have been prepared on accrual basis and under historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments and
- Certain financial assets measured at fair value (refer accounting policy regarding financial instruments)

In addition, the carrying values of recognised assets and liabilities designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2. Current versus 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.

3. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

However, GST is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods (i.e. tyres) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of tyres is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates, cash discounts, sales taxes and value added taxes. The Company provides normal warranty provisions for a period of three years on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold – see 'Provisions' accounting policy for more information.

Interest income

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

4. Taxes

Current income 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 in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income (OCI) 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 liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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 in 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.

Sales/ value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

5. Property, plant and equipment

Capital work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing asset to its working condition for its intended use only. Such cost includes

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Leasehold land – amortised over the period of the lease ranging from 95 years – 99 years.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Class	Useful life
Buildings	50 years - 60 years
Plant & Machinery	15 years - 20 years
Electrical Installations	20 years
Office Equipment	5 years
Computers	3 years
Moulds	6 years
Furniture and Fixtures	10 years
Vehicles	8 years

The management believes that the depreciation rates fairly reflect its estimation of the useful lives and residual values of the fixed assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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.

6. Intangible assets

Intangible assets acquired separately/internally generated are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

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.

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 or loss when the asset is derecognised.

Intangible assets are amortised on straight line method as under:

- Software expenditure have been amortised over a period of three years.

Research and development costs:

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits

- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

7. 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 consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

8.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

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 in 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.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight line basis unless payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase.

9.Inventories:

Inventories are valued at the lower of cost and net realisable value.

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

- Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis. Cost of raw material is net of duty benefits under Duty Entitlement Exemption Certificate (DEEC) scheme
- Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing cost. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
- Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

10. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

11. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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.

Warranty provisions

The estimated liability for warranty is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of obligations and management estimates regarding possible future incidence based on corrective actions on product failure. The timing of outflows will vary as and when the obligation will arise.

Where the company expects some or all of a provision to be reimbursed for warranty provision, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to warranty provision is presented in the statement of profit and loss net of any reimbursement.

12. Retirement and other employee benefits

Defined Contribution plan

Retirement benefit in the form of Provident Fund, Superannuation, Employees State Insurance Contribution and Labour Welfare fund are defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund and ESIC. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Defined benefit plan

The Company provides for retirement benefit in the form of gratuity. The Company's liability towards this benefit is determined on the basis of actuarial valuation using Projected Unit Credit Method at the date of balance sheet.

Remeasurement, 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. Remeasurement is not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in 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

Compensated absences

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit and this is shown under short term provision in the Balance Sheet. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes and this is shown under long term provisions in the Balance Sheet. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where the Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

Termination benefits

The Company recognizes termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the termination benefit falls due for more than 12 months after the balance sheet date, they are measured at present value of the future cash flows using the discount rate determined by reference to market yields at the balance sheet date on the government bonds.

13. 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

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets 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 Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

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 profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables, loans and other financial assets.

Debt instrument at 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 recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

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

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized 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 designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

In case of equity instrument classified as FVTOCI, all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

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 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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 and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
b) Financial assets that are debt instruments and are measured as at FVTOCI
c) Lease receivables under Ind AS 17
d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18
e) Loan commitments which are not measured as at FVTPL
f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables
- All lease receivables resulting from transactions within the scope of Ind AS 17

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 group determines that 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 entity 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 group 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. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: 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 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.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

Financial liabilities

Initial 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, financial guarantee contracts 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 group 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 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 risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. 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 or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Company. 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.

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 or loss.

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 Company's 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.

The following table shows various reclassifications and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.

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.

14. Fair value measurement

The Company measures financial instruments, such as, mutual funds 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 economic best 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 assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

15. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. These derivative instruments are designated as cash flow, fair value or net investment hedges and are entered into for period consistent with currency. 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 statement of profit and loss.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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 profit and loss.

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.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

Amounts recognised as OCI are transferred to profit or 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.

16. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes 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, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

17. Dividend distribution to equity holders

The Company recognises a liability to make cash to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

18. Foreign currencies:

The Company's financial statements are presented in ₹, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at ₹ spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in statement of profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit and loss are also recognised in OCI or statement of profit and loss, respectively).

19. Earnings Per Share:

Basic Earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

20. Segment Reporting

Based on "Management Approach" as defined in Ind AS 108 -Operating Segments, the Management evaluates the Company's performance and allocates the resources based on an analysis of various performance indicators by business segments.

21. Contingent liabilities and contingent assets

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 not wholly within the control of the Company or a present obligation that is not recognized 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 recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent assets is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements. Contingent liabilities and contingent assets are reviewed at each balance sheet date.

Note 38: Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of assets or liabilities in future periods. Difference between actual results and estimates are recognised in the periods in which the results are known / materialised.

Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

a) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Company's domicile.

b) Defined benefit plans (gratuity benefits)

The Company's obligation on account of gratuity and compensated absences is determined based on actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 39.

c) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 44 for further disclosures.

d) Provision for warranty

The estimated liability for warranty is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of obligations and management estimates regarding possible future incidence based on corrective actions on product failure. The timing of outflows will vary as and when the obligation will arise.

e) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 45 and 46 for further disclosures.

Note 39: Post-retirements benefit plan:

a) Defined Contribution plan

The Company has recognised and included in Note No.30 "Contribution to Provident and other funds" expenses towards the defined contribution plan as under:

(Amount in ₹)

Particulars	2017-18	2016-17
Contribution to Provident fund (Government)	6,899,809	4,366,166

b) Defined Benefit plan - Gratuity

The Company has a defined benefit gratuity plan which is funded with an Insurance company in the form of qualifying Insurance policy. The Company's defined benefit gratuity plan is a salary plan for employees which requires contributions to be made to a separate administrative fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, every employee who has completed five years of service gets a gratuity on separation @ 15 days of last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The fund has the form of a trust and it is governed by the Board of Trustees, which consists of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Each year, the Board of Trustees reviews the level of funding. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. The Board of Trustees have appointed LIC of India to manage its funds. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.

In case of death, while in service, the gratuity is payable irrespective of vesting. The company makes annual contribution to the company gratuity scheme administered by LIC through its gratuity funds.

i) Change in present value of the defined benefit obligation are as follows:

(Amount in ₹)

Sr. No.	Particulars	2017-18	2016-17
1.	Opening present value of Defined Benefit obligation	6,450,999	3,997,767
2.	Current Service Cost	2,164,759	1,100,638
3.	Interest Cost	489,430	301,708
4.	Benefits paid	-	-
5.	Remeasurement (gain) / loss on obligation in other comprehensive income		
	- Due to change in demographic assumptions	-	-
	- Due to change in financial assumptions	(763,548)	455,817
	- Due to experience adjustments	2,338,200	595,069
6.	Closing present value of obligation	10,679,840	6,450,999

ii) Changes in Fair value of Plan Assets during the year ended March 31, 2018 :

(Amount in ₹)

Sr. No.	Particulars	As At March 31,2018	As at March 31, 2017
1.	Fair value of plan assets as at April 1	5,811,350	-
2.	Expected return on plan assets	441,663	-
3.	Contributions made	3,532,030	2,398,979
	Increase (decrease) due to effect of any business combination, divestitures, transfers	-	3,193,725
4.	Benefits paid	-	-
5.	Return on plan assets, excluding amount recognised in net interest expense	(57,897)	218,646
6.	Fair value of plan assets as at March 31	9,727,146	5,811,350

iii) Expenses recognised during the period:

(Amount in ₹)

Particulars	2017-18	2016-17
In Income Statement	2,212,256	1,402,345
In Other Comprehensive Income	1,632,549	832,240
Total Expenses recognised during the period	3,844,805	2,234,585

iv) Expenses recognized in the Income Statement

(Amount in ₹)

Sr. No.	Particulars	2017-18	2016-17
1.	Current Service Cost	2,164,759	1,100,638
2.	Interest Cost on benefit obligation	489,430	301,707
3.	Expected return on plan assets	(441,663)	-
3.	**Net benefit expense**	2,212,256	1,402,345

v) Expenses recognized in other comprehensive income:

(Amount in ₹)

Particulars	2017-18	2016-17
Re-measurement arising from changes in demographic assumptions	-	-
Re-measurement arising from changes in financial assumptions	(763,548)	455,817
Re-measurement arising from changes in experience variance	2,338,200	595,069
Return on plan assets, excluding amount recognized in net interest expense	57,897	(218,646)
Components of defined benefit costs recognized in other comprehensive income	1,632,549	832,240

vi) Net Assets / (Liability) as at March 31, 2018

(Amount in ₹)

Sr.No.	Particulars	As at March 31, 2018	As at March 31, 2017
1.	Closing Present value of the defined benefit obligation	10,679,839	6,450,999
2.	Closing Fair value of plan Assets	9,727,145	5,811,350
3.	Net Assets / (Liability) recognized in the Balance Sheet	(952,694)	(639,649)

vii) Actual return on plan assets for the year ended March 31, 2018:

(Amount in ₹)

Sr. No.	Particulars	As at March31, 2018	As at March 31, 2017
1.	Expected return on plan assets	441,663	-
2.	Actuarial gain / (loss) on plan assets	(57,897)	218,486
3.	Actual return on plan assets	383,766	218,486

viii)The major categories of Plan Assets as a percentage of the Fair Value of Plan Assets are as follows:

(Amount in ₹)

Particulars	As at March 31, 2018	As at March 31, 2017
Investment with Insurer	100%	100%

ix) The principal assumptions used in determining gratuity and leave encashment for the Company's plan are shown below:

Description of risk exposures

Valuations are performed on certain basic set of predetermined assumptions and other regulatory frame work which may vary overtime. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

Interest rate risk

The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

Liquidity risk

This is the risk that the Company is not able to meet the short-term gratuity payouts. This may arise due to non-availability of enough cash/ cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Demographic risk

The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Regulatory risk

Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. Increase in the maximum limit on gratuity of ₹ 10 lacs).

Asset liability mismatching or market risk

The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment risk

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Particulars	2017-18	2016-17
Discount rates	7.60% p.a	6.90% p.a.
Salary growth rate	7.00% p.a	7.00% p.a.
Rate of return on plan assets	7.60% p.a	6.90% p.a.
Mortality Table	Indian Assured Lives Mortality (IALM) (2006-08) (Modified) Ult.	Indian Assured Lives Mortality (IALM) (2006-08) (Modified) Ult.
Disability rate	5.00% of mortality rate	5.00% of mortality rate
Withdrawal (rate of employee turnover)	6.00% p.a.	6.00% p.a.
Retirement Age	58 years	58 years

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.

The sensitivity analysis above have been determined based on reasonably possible change of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis is given below:

(Amount in ₹)

Particulars	As at March 31, 2018	As at March 31, 2017
Defined Benefit Obligation (Base)	10,679,839	6,450,999

A quantitative sensitivity analysis for significant assumption as at March 31, 2017 is as shown below:

(Amount in ₹)

Particulars	2017-18		2016-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / +1%)	11,798,334	97,26,111	7,069,660	5,920,588
(% change compared to base due to sensitivity)	10.47%	(8.93%)	9.59%	(8.22%)
Salary Growth Rate (- / +1%)	97,35,602	11,766,481	5,930,388	7,046,459
(% change compared to base due to sensitivity)	(8.84%)	10.17%	(8.07%)	9.23%
Withdrawal Rate (- / +1%)	10,746,009	10,608,867	6,520,576	6,383,462
(% change compared to base due to sensitivity)	0.62%	(0.66%)	1.08%	(1.05%)

The Company's best estimate of contribution during the next year is ₹ 2,200,000.

The weighted average duration (based on discounted cash flows) of defined benefit obligation is 9 years.

(Amount in ₹)

	March 31, 2018	March 31, 2017
Year 1	427,743	271,552
Year 2	851,101	970,405
Year 3	825,155	646,258
Year 4	2,143,977	567,042
Year 5	2,013,305	1,786,460
Next 5 years	14,742,991	9,442,200
Total expected payments	**21,004,272**	**13,683,917**

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity out flows happening during the year (subject to sufficiency of funds under the policy). The policy, duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in an increase in liability without corresponding increase in the asset).

Note 40: Commitments and contingencies

a. Operating Lease

The Company has entered into a lease agreement with the leasing company for vehicles, resulting in a non-cancellable operating lease. There is no restriction placed upon the Company by entering these leases. The lease term range from one year to five years and are renewable at the option of the Company. Lease rental on the said lease of ` 757,193 (March 31, 2017: ` 2,283,311) has been charged to statement of profit and loss.

(Amount in ₹)

Future minimum rentals payable under non-cancellable operating leases:	2017-18	2016-17
Within one year	746,016	2,473,500
After one year but not more than five years	2,984,064	4,771,713
More than five years	-	-

b. Commitments

(Amount in ₹)

Particulars	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance payments)	219,078,183	254,126,041

c. Contingent Liabilities:

As on March 31, 2018 there was no Contingent Liability standing in the books as per IND AS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Note 41: Related party transactions

a) Names of related parties and related party relationship:

- CEAT Limited – Holding Company
- CEAT Specialty Tires, INC.- Subsidiary Company
- KEC International Limited - (Directors, KMP or their relatives are interested)
- Raychem RPG Private Limited - (Directors, KMP or their relatives are interested)

- **Key Management Personnel (KMP):**
  - Mr. Kunal Mundra, Managing Director till Feb 28, 2018
  - Mr. Vijaysinh Shrimantrao Gambhire, Managing Director w.e.f. Mar 1, 2018
  - Mr. Sandeep Sarkhot, Chief Financial Officer
  - Mr. Paras Kumar Chowdhary, Independent Director
  - Mr. Kottukappallil Thomas Tom, Director
  - Mr. Anant Vardhan Goenka, Chairman
  - Mr. Kishor Chandrakant Shete, Independent Director
  - Ms. Shruti Ratnakar Joshi, Director
  - Mr. Arnab Mrinal Banerjee, Director
  - Mr. Sunil Malik, Company Secretary

b) The following transactions were carried out during the year with the related parties in the ordinary course of business:

(Amount in ₹)

Transactions	Related Party	2017-18	2016-17
Purchase of Traded goods (incl. taxes)	CEAT Limited	2,616,590,287	1,942,120,896

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Loan Repayment	CEAT Limited	1,980,000,000	555,000,000
Interest paid on loan (Including Capitalized)	CEAT Limited	37,659,804	39,225,292
Equity Capital (including share premium) received during the year	CEAT Limited	700,000,000	100,000,000
Services Charges incurred	CEAT Limited	2,681,478	2,842,120
Facility & other lease recovery	CEAT Limited	166,466,115	177,414,366
Corporate Guarantee	CEAT Limited	15,887,970	-
Purchase of machinery equipments	KEC International Limited	-	24,612,147
Purchase of machinery equipments	Raychem RPG Pvt. Limited	-	7,859,486
Professional & consultancy expenses	CEAT Specialty Tires, INC.	23,872,389	-
100 % equity share investment	CEAT Specialty Tires, INC.	2,579,200	-

Balance outstanding at the year-end:

(Amount in ₹)

Amount due to / from related party	Related party	As at March 31, 2018	As at March 31, 2017
Inter Corporate Deposit – Loans taken	CEAT Limited	490,000,000	500,000,000
Trade payable – Purchases	CEAT Limited	192,513,840	1,53,647,222
Trade payable – Others	CEAT Limited	26,746,838	16,325,782
Payable to Capital Vendor	Raychem RPG Pvt. Limited	4,701	4,701
Payable for Professional & consultancy expenses	CEAT Specialty Tires, INC.	4,356,222	-
100 % equity share investment	CEAT Specialty Tires, INC.	2,579,200	-

Transactions with key management personnel and their relatives:

(Amount in ₹)

Sr. No.	Related party	2017-18	2016-17
1)	Mr. Kunal Mundra		
	Salaries	9,058,938	7,225,696
	Allowances and Perquisites	43,228	4,830,708
	Performance bonus	3,086,054	-
	Contribution to Provident & Superannuation	412,872	405,852
	Leave encashment	123,233	-
	Total	**12,724,325**	**12,462,256**

(Amount in ₹)

Sr. No.	Related party	2017-18	2016-17
2)	Mr. Vijaysinh Shrimantrao Gambhire		
	Salaries	922242	-
	Contribution to Provident & Superannuation	39091	-
	Total	**961,333**	**-**

(Amount in ₹)

Sr. No.	Related party	2017-18	2016-17
3)	Mr. Sandeep Sarkhot		
	Salaries	4,218,306	2,406,378
	Allowances and Perquisites	28,800	1,437,909
	Performance bonus	1,310,404	-
	Contribution to Provident & Superannuation	175,047	112,063
	Total	**5,732,557**	**3,956,350**

(Amount in ₹)

Sr. No.	Related party	2017-18	2016-17
4)	Mr. Sunil Malik		
	Salaries	1,206,000	186,550
	Allowances and Perquisites	-	323,177
	Contribution to Provident & Superannuation	64,800	22,140
	Total	**1,270,800**	**531,867**

The remuneration of directors and other members of key managerial personnel during the year are as follows:

(Amount in ₹)

Particulars	March 31, 2018	March 31, 2017
Short-term employee benefits	19,873,972	16,410,418
Termination benefits	815,043	540,055
Total	**20,689,015**	**16,950,473**

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefit as they are determined on an actuarial basis for the Company as a whole.

Managerial remuneration is computed as per the provisions of section 198 of the Companies Act, 2013.

Note 42: Segment Information

For management purpose, the Company comprise of only one reportable segment – Automotive Tyres, Tubes & Flaps.

The Management monitors the operating results of this segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Information about products:

(Amount in ₹)

Particulars	2017-18			2016-17		
	Tyres	Tubes & Flaps	Total	Tyres	Tubes & Flaps	Total
Revenue from sale of products	2,460,808,242	188,360,163	2,649,168,405	2,047,906,549	187,533,949	2,235,440,498

Information about geographical areas:

(Amount in ₹)

Particulars	2017-18			2016-17		
	In India	Outside India	Total	In India	Outside India	Total
Revenue from sale of products	2,095,850,785	553,317,620	2,649,168,405	2,072,794,753	162,645,745	2,235,440,498
Non-current assets	3,614,727,741	-	3,614,727,741	2,704,523,289	-	2,704,523,289

During the year 2017-18 and 2016-17, following are the external customers who has generated revenue of 10% or more of the Company's total revenue:

(Amount in ₹)

Particulars	2017-18		2016-17	
	JCB India Ltd.	Total	JCB India Ltd.	Total
Revenue from sale of products (Gross)	519,543,200	519,543,200	474,999,853	474,999,853

Note 43: Hedging activities and derivatives

Derivatives designated as hedging instruments

The Company uses derivative financial instruments such as foreign currency forward contracts to hedge foreign currency risk arising from future transactions in respect of which firm commitments are made. All these instruments are designated as hedging instruments and the necessary documentation for the same is made as per Ind AS 109.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of Foreign Currency Loan (Buyer's Credit) in US Dollar and Euro.

(Amount in foreign currency)

Derivative	Cur	As at March 31,2018		As at March 31,2017		Purpose
		FC	₹	FC	₹	
Forward Contract to sell foreign Currency	USD	1,568,539	102,221,687	-	-	Hedge of Foreign Currency sales
	EUR	329,491	26,233,342	-	-	
Forward Contract to buy foreign Currency	USD	-	-	6,066,182	393,422,258	Hedge of FCNR Loan
	USD	7,372,020	480,548,922	4,298,620	278,787,025	Hedge of Foreign Currency Buyer's Credit
	EUR	259,645	20,861,813	1,954,174	135,495,586	

(Amount in foreign currency)

Unhedged Foreign currency Exposure	Currency	As at March 31,2018	As at March 31,2017
Trade Payables	USD	503,692	-
	EUR	155,460	-
	GBP	57,924	-
Trade Receivables	USD	211,980	300,803
	EURO	136,328	94,122
Advances Recoverable in cash or kind	CNY	10,282	-

The terms of the foreign currency forward contracts match the terms of the future transactions in respect of which firm commitments are made. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss. The cash flow hedges of the hedging instruments during the year ended March 31, 2018 were assessed to be highly effective.

Gains/ losses during the year, are included in Other comprehensive income as shown in Note 35.

Note 44: Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(Amount in ₹)

	Carrying Value		Fair Value	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Financial Assets				
At amortised cost				
Investments	2,579,200	-	2,579,200	-
Loans (Non-current)	925,000	975,000	925,000	975,000
Other financial asset (Non-current)	1,964,845	4,572,161	1,964,845	4,572,161
At fair value through profit and loss				
Current Investments	-	-	-	-
At fair value through other comprehensive income				
Other financial assets (Current)	-	10,389,281	-	10,389,281
	5,469,045	**15,936,442**	**5,469,045**	**15,936,442**
Financial Liabilities				
At amortised cost				
Borrowings (Non-current)	1,788,585,750	1,476,311,457	1,788,585,750	1,476,311,457
At fair value through other comprehensive income				
Other financial liabilities (Current)	-	-	-	-
Derivative financial instrument	1,826,735.00	-	1,826,735.00	-
	1,790,412,485	**1,476,311,457**	**1,790,412,485**	**1,476,311,457**

The management assessed that cash and cash equivalents, trade receivables, trade payables less than 1 year, bank overdrafts, current borrowings and other current financial assets and liabilities (except derivative financial instruments, those measured at FVTOCI) approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of quoted mutual funds are based on price quotations at the reporting date.
- The Company enters into forward contracts for the purpose of hedging exposures. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The models incorporate various inputs including foreign exchange spot and forward rates

Note 45: Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets/ liabilities as at March 31, 2018:

(Amount in ₹)

	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Financial Assets				
At amortised cost				
Loans (Non-current)	925,000	-	925,000	-
Other financial asset (Non-current)	1,964,845	-	1,964,845	-
At fair value through other comprehensive income				
Other financial assets (Current)	-	-	-	-
Total Financial Assets	**2,889,845**		**2,889,845**	-
Financial Liabilities				
At amortised cost				
Borrowings (Non-current)	1,788,585,750	-	1,788,585,750	-
Other financial liabilities (Current)				
Derivative financial instrument	1,826,735	-	1,826,735	
Total Financial Liabilities	**1,790,412,485**	-	**1,790,412,485**	-

There have been no transfers between Level 1 and Level 2 during the period.

Quantitative disclosures fair value measurement hierarchy for assets / liabilities as at March 31, 2017:

(Amount in ₹)

	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Financial Assets				
At amortised cost				
Loans (Non-current)	975,000	-	975,000	-
Other financial asset (Non-current)	4,572,161	-	4,572,161	-
At fair value through profit and loss				
Other financial assets (Current)	10,389,281	-	10,389,281	-
Total Financial Assets	**15,936,442**	-	**15,936,442**	
Financial Liabilities	-	-	-	
At amortised cost				
Borrowings (Non- current)	1,476,311,457	-	1,476,311,457	
Total Financial Liabilities	**1,476,311,457**	-	**1,476,311,457**	-

There have been no transfers between Level 1 and Level 2 during the period.

Note 46: Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, mutual fund investments and cash and cash equivalents that derive directly from its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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 three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments and derivative financial instruments.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2018 and March 31, 2017 including the effect of hedge accounting
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at March 31, 2018 for the effects of the assumed changes of the underlying risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The following table provides a break-up of company's fixed and floating rate borrowing:

(Amount in ₹)

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Fixed rate borrowings	490,000,000	500,000,000	340,000,000
Floating rate borrowings	2,289,996,485	1,476,311,457	59,810,911
Total borrowings	**2,779,996,485**	**1,976,311,457**	**399,810,911**

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	(Amount in ₹) Effect on profit before tax
March 31, 2018	+/- 100 bps	(22,899,964) / 22,899,964
March 31, 2017	+/- 100 bps	(14,763,115) / 14,763,115

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company manages its foreign currency risk by derivative transactions that are expected to occur within a maximum 12 month period for foreign currency loans.

When a forward is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure.

At March 31, 2018, the Company hedged 100% (March 31, 2017: 100 %) of its foreign currency loans. This foreign currency risk is hedged by using foreign currency forward contracts.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in Currency	(Amount in ₹) Effect on profit before tax
March 31, 2018		
Recognized net payables- USD	+/-1	(291,712) / 291,712
Recognized net payables- EUR	+/-1	(19,132) / 19,132
March 31, 2017		
Recognized net receivables- USD	+/-1	300,803 / (300,803
Recognized net receivables- Euro	+/-1	94,122 / (94,122)

Price risk

The Company invests its surplus funds in various debt instruments and debt mutual funds. These comprise of mainly liquid schemes of mutual funds (liquid investments) and fixed deposits.

Mutual fund investments are susceptible to market price risk, mainly arising from changes in the interest rates or market yields which may impact the return and value of such investments. However due to the very short tenor of the underlying portfolio in the liquid schemes, these do not pose any significant price risk.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are noninterest bearing and are generally on 30 days to 60 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Company does not hold collateral as security. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

(Amount in ₹)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Less than 180 days	More than 180 days	Less than 180 days	More than 180 days
Expected loss rate (%)	-	-	-	-
Gross carrying amount	511,578,787	-	303,458,332	-
Loss allowance provision	-	-	-	-

Other financial assets and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The company prepares cash flow on a daily basis to monitor liquidity. Any shortfall is funded out of short term loans. Any surplus is invested in liquid mutual funds. The company also monitors the liquidity on a longer term wherein it is ensured that the long term assets are funded by long term liabilities. The company ensures that the duration of its current assets is in line with the current assets to ensure adequate liquidity in the 3-6 months period.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at March 31, 2018 **(Amount in ₹)**

Particulars	<1 Year	1-5 years	>5 years	Total
Financial Assets				
Investments			2,579,200	2,579,200
Non-Current Loans	-	925,000	-	925,000
Other non-current financial assets	-	1,964,845	-	1,964,845
Trade receivables	511,578,787	-	-	511,578,787
Cash and cash equivalents	27,807,654	-	-	27,807,654
Current Loans	7,834,789	-	-	7,834,789
Other current financial assets	327,056,689	-	-	327,056,689
Total Financial Assets	**874,277,919**	**2,889,845**	**2,579,200**	**879,746,964**
Financial Liabilities				
Non-Current Borrowings	-	705,961,509	1,082,624,241	1,788,585,750
Current Borrowings	991,410,735	-	-	991,410,735
Other Current Financial Liabilities	198,864,066	-	-	198,864,066
Trade and Other payables	428,469,753	-	-	428,469,753
Total Financial Liabilities	**1,618,744,554**	**705,961,509**	**1,082,624,241**	**3,407,330,304**

As at March 31, 2017

(Amount in ₹)

Particulars	<1 Year	1-5 years	>5 years	Total
Financial Assets				
Non-Current Loans	-	975,000	-	975,000
Other non-current financial assets	-	4,572,161	-	4,572,161
Trade receivables	303,458,332	-	-	303,458,332
Cash and cash equivalents	60,611,818	-	-	60,611,818
Current Loans	5,852,508	-	-	5,852,508
Other current financial assets	10,389,281	-	-	10,389,281
Total Financial Assets	**380,311,939**	**5,547,161**	-	**385,859,100**
Financial Liabilities				
Non-Current Borrowings	789,577,290	175,625,000	524,375,000	1,068,643,164
Current Borrowings	500,000,000	-	-	907,668,293
Other Current Financial Liabilities	256,023,361	-	-	256,023,361
Trade and Other payables	240,251,595	-	-	240,251,595
Total Financial Liabilities	**1,785,852,246**	**175,625,000**	**524,375,000**	**2,472,586,413**

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

Note 47: Capital management

For the purpose of the Company capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

	As at March 31, 2018	As at March 31, 2017
	₹	₹
Current Borrowings (Note 22)	991,410,735	500,000,000
Non-Current Borrowings (Note 19)	1,788,585,750	1,476,311,457
Trade payables (Note 23)	428,469,753	240,251,595
Less: Cash and cash equivalents (Note 12)	(27,807,654)	(60,611,818)
Net debt	**3,180,658,584**	**2,155,951,234**
Equity (Note 17 & 18)	1,199,986,269	920,666,646
Capital and net debt	**4,380,644,853**	**3,076,617,880**
Gearing ratio	**73%**	**70%**

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2018 and March 31, 2017.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 48: Standards issued but not yet effective

Ind AS 115- Revenue from Contracts with Customers

Ind AS 115 was notified on March 28, 2018 and establishes a five-step model to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions of the Company. Ind AS 115 is effective for the Company in the year ended March 31, 2019 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

The Company continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on revenue resulting from the application of Ind AS 115 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. The Company's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Company has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary.

Upon adoption the Company expects there to be a change in the manner that variable consideration in certain revenue arrangements is recognized from the current practice of recognizing such revenue as the services are performed and the variable consideration is earned to estimating the achievability of the variable conditions when the Company begins delivering services and recognizing that amount over the contractual period. The Company also expects a change in the manner that it recognizes certain incremental and fulfilment costs from expensing them as incurred to deferring and recognizing them over the contractual period. A reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation project has been completed.

As per our report of even date
For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration No:
324982E/E300003

per Vinayak Pujare
Partner
Membership Number :101143
Place: Mumbai
Date: April 30, 2018

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

Sandeep Sarkhot
Chief Financial Officer

Vijay Gambhire
Managing Director
DIN: 08077671

Arnab Banerjee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018