

INDEPENDENT AUDITOR'S REPORT

To the Members of CEAT Specialty Tyres Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of CEAT Specialty Tyres Limited ("the Company"), which comprise the Balance sheet as at March 31, 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Emphasis of Matters

We draw your reference to Note 46 to the standalone Ind AS financial statements. On April 3, 2019 The Board of Directors of the Company have approved a "Scheme of Amalgamation" between the Company and its parent Company, CEAT Limited, and their respective shareholders and creditors under section 230 to 232 and other applicable provisions of the Companies Act, 2013 subject to regulatory approvals.

Our opinion is not qualified in respect of the above matter.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibility of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

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

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

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

- (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 22 and 47 to the standalone Ind AS financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number: 101143
Place of Signature: Mumbai
Date: May 07, 2019

Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of rubber tyres, tubes and flaps for all types of vehicles, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given by the management, the term loans were applied for the purpose for which the loans were obtained.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and hence, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

CEAT Specialty Tyres Limited
Standalone Audit Report for the year ended March 31, 2019
Page 7 of 9

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number: 101143
Place of Signature: Mumbai
Date: May 07, 2019

Annexure 2 to the Independent Auditor's report of even date on the standalone Ind AS financial statements of CEAT Specialty Tyres Limited

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

We have audited the internal financial controls over financial reporting of CEAT Specialty Tyres Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the Standalone Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements.

Meaning of Internal Financial Controls over Financial Reporting With Reference to these Financial Statements

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

Inherent Limitations of Internal Financial Controls over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Standalone Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements and such internal financial controls over financial reporting with reference to these Standalone Ind AS Financial Statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number: 101143
Place of Signature: Mumbai
Date: May 07, 2019

Balance Sheet as at March 31 ,2019

(Amount in ₹)

Particulars	Note No.	As at March 31, 2019	As at March 31, 2018
I Assets			
(1) Non-current assets			
(a) Property, plant and equipment	3	3,319,705,749	2,372,197,600
(b) Capital work-in-progress	3	207,194,365	926,531,468
(c) Intangible assets	4	164,589,772	147,401,223
(d) Intangible assets under development	4	7,729,410	6,149,347
(e) Financial Assets:			
(i) Investments	5	6,570,089	2,579,200
(ii) Other financial assets	6	206,085	1,964,846
(f) Deferred tax assets (net)	7	-	-
(g) Non-current tax assets (net)	8	130,752	83,493
(h) Other non-current assets	9	89,124,877	116,528,627
Total non-current assets		3,795,251,099	3,573,435,804
(2) Current assets			
(a) Inventories	10	312,563,229	192,937,202
(b) Financial assets			
(i) Trade receivables	11	538,581,946	511,578,787
(ii) Cash and cash equivalents	12	17,080,582	27,807,654
(iii) Bank balances other than cash and cash equivalent	12A	1,496,202	-
(iv) Loans	13	3,766,797	8,759,789
(v) Other financial assets	14	4,568,651	-
(c) Other current assets	15	463,664,920	327,056,690
Total current assets		1,341,722,327	1,068,140,122
Total assets		5,136,973,426	4,641,575,926
II Equity and liabilities			
(1) Equity			
(a) Equity share capital	16	210,500,000	180,500,000
(b) Other equity	17	798,705,268	1,019,486,270
Total equity		1,009,205,268	1,199,986,270
(2) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	18	2,199,113,375	1,788,585,750
(b) Provisions	19	13,871,422	5,777,236
Total non-current liabilities		2,212,984,797	1,794,362,986
(3) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	20	580,000,000	991,410,735
(ii) Trade payables	21		
-Total Outstanding dues of micro and small enterprises		3,043,658	14,661
-Total Outstanding dues of creditors other than micro and small enterprises		985,567,567	428,455,092
(iii) Other financial liabilities	22	302,067,253	198,864,062
(b) Provisions	19	9,514,464	6,130,381
(c) Other current liabilities	23	34,590,419	22,351,739
Total current liabilities		1,914,783,361	1,647,226,670
Total equity and liabilities		5,136,973,426	4,641,575,926
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: May 7, 2019

For and on behalf of Board of Directors of
CEAT Specialty Tyres LimitedVijay Gambhire
Managing DirectorArnab Banerjee
DirectorSandeep Sarkhot
Chief Financial Officer

Place: Mumbai

Date: May 7, 2019

Amit Dodani
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2019

(Amount in ₹)

Particulars	Note No.	2018-19	2017-18
I Income:			
Revenue from operations	24	3,679,181,073	2,666,398,085
Other Income	25	6,416,643	2,870,438
Total Income		3,685,597,716	2,669,268,523
II Expenses:			
Cost of Raw materials consumed	26	396,664,932	204,979,694
Purchase of stock-in-trade	27	2,479,691,342	2,068,063,847
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	(66,625,364)	(27,019,968)
Employee benefit expense	29	262,095,243	176,578,965
Finance costs	30	283,829,397	149,952,359
Depreciation and amortization expenses	31	183,402,671	65,707,772
Other expenses	32	603,081,927	404,778,649
Total expenses		4,142,140,148	3,043,041,318
III Loss before exceptional item and tax		(456,542,432)	(373,772,795)
IV Exceptional Item	33	(5,443,589)	-
V Loss before tax		(461,986,021)	(373,772,795)
VI Tax expense:			
Current tax		-	-
Deferred tax		-	-
VII Loss for the year		(461,986,021)	(373,772,795)
VIII Other Comprehensive Income			
Items that will not be reclassified subsequently to statement of profit and loss			
Remeasurement gains/(losses) on defined benefit plans		5,423,099	(1,632,549)
Items that will be reclassified subsequently to the statement of profit and loss			
Net movement on cash flow hedges		(34,218,080)	(45,275,033)
IX Total Comprehensive Income for the year (Comprising Loss and Other Comprehensive Income for the year)		(490,781,002)	(420,680,377)
X Earnings per equity share (of ₹ 10 each)	35		
Basic (in ₹)		(23.17)	(28.78)
Diluted (in ₹)		(23.17)	(28.78)
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: May 7, 2019

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

Vijay Gambhire

Managing Director

Arnab Banerjee

Director

Sandeep Sarkhot

Chief Financial Officer

Place: Mumbai

Date: May 7, 2019

Amit Dodani

Company Secretary

Statement of Cash Flows for the year ended March 31, 2019

(Amount in ₹)

Particulars	2018-19	2017-18
A) CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(461,986,021)	(373,772,795)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation and amortization expenses	183,402,671	65,707,772
Interest income	(1,815,095)	(836,264)
Finance costs	283,829,397	149,952,359
Dividend income	-	(215,253)
Allowance for doubtful debts / advances	5,375,665	
Unrealised foreign exchange (gain) / loss (net)	2,257,439	(1,180,320)
Loss/ (profit) on sale of Property, Plant and Equipment	412,721	
Operating profit/ (loss) before working capital changes	11,476,777	(160,344,501)
Adjustments for :		
(Increase)/decrease in inventories	(119,626,027)	(63,548,698)
(Increase)/decrease in trade receivables	(33,028,227)	(206,940,135)
(Increase)/decrease in current loans, other current assets and other financial assets	(136,183,889)	(230,908,736)
(Increase)/decrease in non-current loans and other non-current assets	21,826	449,100
Increase/(decrease) in trade payables	558,831,816	188,218,158
Increase/(decrease) in other current liabilities	12,238,680	6,090,385
Increase/(decrease) in other current financial liabilities	69,270,964	1,975,178
Increase/(decrease) in non-current and current provisions	16,901,368	3,637,677
Cash flows used in operating activities	379,903,288	(461,371,572)
Direct taxes paid(net of refunds)	(47,259)	(83,493)
Net cash flows used in operating activities (A)	379,856,029	(461,455,065)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets (including capital work-in-progress and capital advance)	(440,502,848)	(877,815,006)
Proceeds from sale of property, plant and equipment	1,715,389	
Investment in fixed deposit (Margin Money)	1,092,893	2,951,591
(Purchase)/disposal of current investments (net)	(3,990,889)	(2,579,200)
Changes in other Bank balances	(1,496,202)	-
Interest received	2,480,962	491,988
Dividends received	-	215,253
Net cash flows used in investing activities (B)	(440,700,695)	(876,735,374)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	487,027,625	719,942,586
Change in short-term borrowings (net)	55,781,920	(55,275,033)
Proceeds from short-term buyers credit	(501,410,740)	93,742,442
Proceeds from issuance of equity shares (including securities premium)	300,000,000	700,000,000
Interest paid	(291,281,211)	(153,023,720)
Net cash flows from financing activities (C)	50,117,594	1,305,386,275
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(10,727,072)	(32,804,164)
Cash and cash equivalents at the beginning of the year (Refer note 12)	27,807,654	60,611,818
Cash and cash equivalents at the end of the year (Refer note 12)	17,080,582	27,807,654

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: May 7, 2019

For and on behalf of Board of Directors of
CEAT Specialty Tyres LimitedVijay Gambhire
Managing DirectorArnab Banerjee
DirectorSandeep Sarkhot
Chief Financial OfficerAmit Dodani
Company Secretary

Place: Mumbai

Date: May 7, 2019

CEAT Specialty Tyres Limited

Statement of Changes in Equity for the year ended March 31, 2019

a. Equity share capital: (Amount in ₹)

Particulars	Nos.	Amount
Equity shares of ₹ 10 each issued, subscribed and fully paid		
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
Issue of share capital	3,000,000	30,000,000
As at March 31, 2019	21,050,000	210,500,000

b. Other equity

(Amount in ₹)

Particulars	Reserves & Surplus		Items of OCI	Total
	Securities premium (refer note 17) (a)	Retained earnings (refer note 17) (c)	Cash Flow Hedge Reserve (refer note 17) (b)	
As at March 31, 2017	990,000,000	(224,875,481)	45,042,128	810,166,647
Add : Issue of share capital	630,000,000	-	-	630,000,000
Loss for the year	-	(373,772,795)	-	(373,772,795)
Other comprehensive income	-	(1,632,549)	(45,275,033)	(46,907,582)
As at March 31, 2018	1,620,000,000	(600,280,825)	(232,905)	1,019,486,270
Loss for the year	-	(461,986,021)	-	(461,986,021)
Other comprehensive income	-	5,423,099	(34,218,080)	(28,794,981)
Total comprehensive income	1,620,000,000	(1,056,843,747)	(34,450,985)	528,705,268
Add : Issue of share capital	270,000,000	-	-	270,000,000
As at March 31, 2019	1,890,000,000	(1,056,843,747)	(34,450,985)	798,705,268

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

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

per Vinayak Pujare

Partner

Membership Number :101143

Vijay Gambhire

Managing Director

Arnab Banerjee

Director

Sandeep Sarkhot

Chief Financial Officer

Place: Mumbai

Date: May 7, 2019

Amit Dodani

Company Secretary

Place: Mumbai

Date: May 7, 2019

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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. The financial statements for the year ended March 31, 2019 were approved by the Board of Directors on May 7, 2019.

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. (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (IND AS compliant Schedule III).

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. The Standalone financial statements are presented in INR except when otherwise indicated.

2. Change in Accounting Policies

2.1 Accounting for Government Grant related to non-monetary assets

The company has chosen to adjust government grant from the carrying value of non-monetary asset pursuant to amendment in Ind AS 20 Accounting for Government Grants and Disclosure. Till the previous year, the company followed the policy recording the non-monetary asset and the grant at carrying amounts and released to profit and loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

Had the company continued to follow the erstwhile accounting policy the impact of restatement is as below to the financial statements.

Particulars	(Amount in ₹)	
	As at March 31, 2018	As at April 1, 2017
Decrease in property, plant and equipment	40,450,427	41,487,616
Decrease in Non current liabilities	38,376,046	36,301,665
Decrease in current liabilities	2,074,381	5,185,952

There is no impact on the Statement of Profit and loss.

2.2 Ind AS 115 'Revenue from Contracts with Customers

The Company has adopted Ind AS 115 'Revenue from Contracts with Customers' with a date of initial application of April 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company has applied Ind AS 115 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under Ind AS 18. The details of the significant changes and quantitative impact of the changes are set out below.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

Under cumulative effect method, there are no significant adjustments required to the retained earnings as at April 1, 2018. Also, the application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements.

2.3 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.

2.4 Revenue recognition

a. Revenue from contract with customer

Revenues from contracts with customers are recognised when the performance obligations towards customer have been met. Performance obligations are deemed to have been met when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company acts as 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.

An entity collects Goods and Services Tax ("GST") collected on behalf of the government and not on its own account. Hence it should be excluded from revenue, i.e. revenue should be net of GST.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 24.

Sale of Goods:

Revenue from sale of goods (Tyres, tubes and flaps) is recognised at a point in time when control of the goods is transferred to customer depending on terms of sales. The normal credit term is 30 to 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, if any.

i) Variable consideration

The Company offers various forms of discounts on the goods sold to its dealers and distributors. In all such cases, accumulated experience is used to estimate and provide for the variability in revenue, using the expected value method and the revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future on account of refund or discounts.

Variable consideration includes volume discounts, price concessions, incentives, etc. The Company estimates the variable consideration based on an analysis of historical experience and it is adjusted from transaction price.

ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Sales related obligation

The Company normally provides warranty provisions for a period of three years on all its products sold, in line with industry practice. These warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 19 for more information. The Company does not provide any extended warranties to its customers.

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 15 financial instruments – initial recognition and subsequent measurement.

Royalty and technology development fees:

The Company also earns sales based royalty income which is recognised as revenue typically on an over time basis. This is because in such arrangements the customer gets a right to access the Company's intellectual property as it exists throughout the license period. The revenue to be recognised is determined based on a specified percentage of the sales made by the customer.

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:

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.5 Government grants and Export incentives

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.

The company has chosen to adjust government grant from the carrying value of non-monetary asset pursuant to amendment in Ind AS 20 Accounting for Government Grants and Disclosure.

Export Incentive under Merchandise Export from India Scheme (MEIS) is recognized in the Statement of Profit and Loss as a part of other operating revenues.

2.6 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 India where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in Statement of profit and loss 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.

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and 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 tax/ value added taxes/GST paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales tax/ value added taxes/GST 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.

2.7 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is stated at cost. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. 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 and 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	6 years

The management has estimated, supported by independent assessment by professional, the useful lives of the following class of assets.

Factory buildings - 50 years (Lower than those indicated in Schedule II of the Companies Act, 2013)

Plant & Machinery – 20 years (Higher than those indicated in Schedule II of the Companies Act, 2013)

Moulds – 6 years (Lower than those indicated in Schedule II of the Companies Act,2013)

Vehicles – 6 years (Lower than those indicated in Schedule II of the Companies Act,2013)

Electrical Installations – 20 years (Higher than those indicated in Schedule II of the Companies Act,2013)

Serviceable materials like trollies, iron storage tacks skids – 15 years (Higher than those indicated in Schedule II of the Companies Act,2013)

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

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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.

2.8 Intangible assets

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

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

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 infinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of infinite life is reviewed annually to determine whether the infinite 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 and 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 (Product development)

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 availability of resources to complete the asset
- 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.

2.9 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

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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.

2.10 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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised 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 over the lease term 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.

2.11 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.
- 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.

2.12 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.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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 and loss.

2.13 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.

Provision for sales related obligations

The estimated liability for sales related obligations 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. - being typically up to three years. Initial recognition is based on historical experience. The initial estimate of sales related obligations -related costs is revised annually.

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

2.14 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.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

Defined benefit plan

The Company has a defined benefit gratuity plan, which requires contribution to be made to a separately administered fund. 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.

2.15 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 and loss, transaction costs that are attributable to the acquisition of the financial asset. Purchase or sale of financial asset that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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 and loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

Debt instruments at amortised cost

A 'debt instrument' 'other financial assets as well' 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 and loss. The losses arising from impairment are recognised in the profit and 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 statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

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 statement of profit and loss.

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 statement of profit and loss, 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.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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 115
- 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 company 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 company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. 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. This amount is reflected under the head 'other expenses' in the Statement of profit and loss. 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

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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.

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 and 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 and loss

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

Gains or losses on liabilities held for trading are recognised in the profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit and 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 statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. 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 and loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

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

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

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 amortised cost and fair value is recognised in statement of profit and loss.
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 statement of profit and loss 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.

2.16 Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, to manage 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 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 and 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.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit and 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 Other Comprehensive Income (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. The ineffective portion relating to foreign currency contracts is recognised in the statement of profit and loss.

Amounts recognised as OCI are transferred to statement of profit and loss when the hedged transaction affects profit and 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.

2.17 Fair value measurement

The Company measures financial instruments, such as, derivatives, foreign denominated borrowings and assets, forward contracts 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.

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2019

2.18 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.

2.19 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.

2.20 Foreign currencies:

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

Transactions in foreign currencies are initially recorded by the Company at INR 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).

2.21 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.

2.22 Segment Reporting

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

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

2.23 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.

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

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

Refer note 2.7 for accounting policy on Property ,plant and equipment

(Amount in ₹)

Particulars	Leasehold land	Buidings	Plant and equipment (Refer note 1 below)	Capital work-in- progress	Total
Gross Carrying amount					
As at April 1, 2017	501,897,100	-	4,026,428	2,126,983,046	2,632,906,574
Additions	155,044,870	437,652,607	1,370,455,584	756,676,025	2,719,829,086
Transfers/Capitalised	-	-	-	(1,957,127,603)	(1,957,127,603)
Adjustments (Refer Note 3 below)	-	-	(41,487,617)	-	(41,487,617)
As at Mar 31, 2018	656,941,970	437,652,607	1,332,994,395	926,531,468	3,354,120,440
Additions	-	297,497,167	787,982,646	366,142,710	1,451,622,523
Transferred from CWIP	-	-	-	(1,085,479,813)	(1,085,479,813)
Disposals	-	-	(2,610,927)	-	(2,610,927)
As at Mar 31, 2019	656,941,970	735,149,774	2,118,366,114	207,194,365	3,717,652,223
Accumulated Depreciation					
As at April 1, 2017	7,390,665	-	646,784	-	8,037,449
Depreciation charge for the year	6,077,284	4,481,314	37,832,515	-	48,391,113
Adjustments (Refer Note 3 below)	-	-	(1,037,190)	-	(1,037,190)
As at Mar 31, 2018	13,467,949	4,481,314	37,442,109	-	55,391,372
Depreciation charge for the year	6,948,964	13,771,283	117,197,692	-	137,917,939
Disposals	-	-	(482,821)	-	(482,821)
Adjustments ((Refer Note 3 below)	-	-	(2,074,381)	-	(2,074,381)
As at Mar 31, 2019	20,416,913	18,252,597	152,082,599	-	190,752,109
Net Book Value					
As at Mar 31, 2018	643,474,021	433,171,293	1,295,552,286	926,531,468	3,298,729,068
As at Mar 31, 2019	636,525,057	716,897,177	1,966,283,515	207,194,365	3,526,900,114

Net Carrying Amount

(Amount in ₹)

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Property, plant and equipment	3,319,705,749	2,372,197,600
Capital work in progress	207,194,365	926,531,468

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)/Property, plant and equipment as the case may be. Consequently, expenses disclosed under the respective notes are net of such amounts.

(Amount in ₹)

Particulars	FY 2018-19	FY 2017-18
Employee benefit expense	9,207,356	49,125,710
Finance costs*	6,769,755	90,070,982
Professional and consultancy charges	7,650,000	31,340,000
Amortization on leasehold land	-	2,648,831
Rates and Taxes	-	11,571,620
Other expenses	303,620	27,650,475
Total	23,930,731	212,407,618

* Current year figures pertains to mark to market loss on capital items.

2. Refer Note 18 for details on pledges and securities

3. Adoption of amendment in Ind AS 20-'Accounting for Government Grants and disclosure of Government Assistance.

As per the pre-amendment standard the company had setup a deferred Government grant under other liabilities of ₹ 4,04,50,427 as on 31 March 2018. Pursuant to the amendment, the company has now opted to adjust the Government grant from carrying amount of the asset. (Refer Note 2.1).

4. The amount of borrowing cost capitalized during the year ended March 31, 2019 was ₹ 67,69,755 (March 31, 2018 ₹ 9,00,70,982). The rate used to determine the amount of borrowing cost eligible for capitalization was NIL (March 31, 2018 - 8.62%)

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

Note 4: Intangible assets and Intangible Assets under development

Refer note 2.8 for accounting policy on Intangible assets

(Amount in ₹)

Particulars	Software	Product Development (Refer note 1 below)	Intangible assets under development	Total
Gross Carrying Amount				
As at April 1, 2017	15,653,591	-	69,760,236	85,413,827
Additions	6,246,531	151,226,259	87,615,370	245,088,160
Transferred	-		(151,226,259)	(151,226,259)
As at Mar 31, 2018	21,900,122	151,226,259	6,149,347	179,275,728
Additions	3,536,417	59,136,864	60,716,927	123,390,208
Transferred	-		(59,136,864)	(59,136,864)
As at Mar 31, 2019	25,436,539	210,363,123	7,729,410	243,529,072
Amortization				
As at April 1, 2017	5,759,666	-	-	5,759,666
Additions	5,547,208	14,418,284	-	19,965,492
As at Mar 31, 2018	11,306,874	14,418,284	-	25,725,158
Additions	6,756,108	38,728,624	-	45,484,732
As at Mar 31, 2019	18,062,982	53,146,908	-	71,209,890
Net Book Value				
As at Mar 31, 2018	10,593,248	136,807,975	6,149,347	153,550,570
As at Mar 31, 2019	7,373,557	157,216,215	7,729,410	172,319,182

Net Carrying Amount (Amount in ₹)

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
Intangible assets	164,589,772	147,401,223
Intangible assets under development	7,729,410	6,149,347
Net book value	172,319,182	153,550,570

1. During the year, the Company has transferred the following expenses which are attributable to Product Development. Consequently, expenses disclosed under the respective notes are net of such amounts.

Particulars	FY 2018-19	FY 2017-18
Employee benefit expense	36,066,934	24,222,197
Professional and consultancy charges	300,000	-
Total	36,366,934	24,222,197

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

Note 5: Investments

Refer note 2.15 for accounting policy on Financial Instruments

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Non Current		
Unquoted equity shares (at cost) (Non-trade)		
Investment in Subsidiaries		
400 (March 31, 2018 : 400) equity shares of CEAT Specialty Tires INC. (Face value : USD 1 each)	2,579,200	2,579,200
5000 (March 31, 2018 : nil) equity shares of CEAT Specialty Tyres BV (Face value : EURO 1 each)	3,990,889	-
	6,570,089	2,579,200

Note:

(a)Refer note 44 (d) for information about liquidity risk related to investments

Note 6: Other financial assets

Refer note 2.15 for accounting policy on Financial Instruments

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Non current		
Unsecured, considered good		
At amortised cost		
Margin money deposits*	193,448	1,286,341
Interest receivable	12,637	678,505
Total	206,085	1,964,846

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

(a)Refer note 44 (d) for information about liquidity risk related to other financial assets

Note 7: Deferred tax assets (net)

Refer note 2.6 for accounting policy on Taxes

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Major components of deferred tax assets and deferred tax liabilities:		
Deferred tax assets		
Business losses	265,674,446	65,833,743
Deferred tax liabilities		
Property, plant and equipment: impact of difference between tax depreciation and depreciation/amortisation for the financial reporting	265,674,446	65,833,743
Deferred tax assets (net)	-	-

The net deferred tax asset as at March 31, 2019 has not been accounted in view of the requirements of virtual certainty as stated in Ind AS 12 on "Income Taxes".

Note 8: Non Current tax assets (net)

Refer note 2.6 for accounting policy on Taxes

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Advance payment of tax (net)	130,752	83,493
Non Current tax assets (net)	130,752	83,493

Note 9: Other non-current assets

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Unsecured, considered good :		
Capital advances	87,343,576	114,725,500
Prepaid Expense	1,755,301	1,777,127
Security Deposit	1,000	1,000
Balance with government authorities	25,000	25,000
Total	89,124,877	116,528,627

Note 10: Inventories

Refer note 2.11 for accounting policy on Inventories

(At cost or net realisable value, whichever is lower)

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
a) Raw materials	61,978,532	34,912,608
Goods in transit - Raw Material	13,652,113	-
b) Work-in-progress	6,959,729	10,415,898
c) Finished goods	12,607,165	20,337,787
d) Stock in Trade	202,528,057	124,715,902
e) Stores and Spares	14,837,633	2,555,007
Total	312,563,229	192,937,202

Details of finished goods

	As at Mar 31, 2019	As at Mar 31, 2018
Automotive tyres	12,607,165	20,337,787
Total	12,607,165	20,337,787

Notes:

1) Cost of inventory recognised as an expense as at March 31, 2019 includes ₹ 26,94,453 (March 31, 2018 ₹ Nil) of write down in net realisable value with respect to slow moving stock as per Company's policy.

2) Loans are secured by first pari passu charge on stock (includes raw materials, finished goods and work in progress) (refer note 18)

Note 11: Trade receivables

Refer note 2.15 for accounting policy on Financial Instruments

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Trade receivables from others	538,581,946	511,578,787
Trade receivables from related parties (refer note-39)	-	-
Total receivables	538,581,946	511,578,787

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019
Break-up for security details:

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Secured, Considered good*	60,540,456	49,410,000
Unsecured, Considered good	478,041,490	462,168,787
Doubtful	5,375,665	-
Total	543,957,611	511,578,787
Allowance for doubtful debts	(5,375,665)	-
Total trade receivables	538,581,946	511,578,787

Particulars	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
The movement in allowance for doubtful debt is as follows :		
Balance as at beginning of the year	-	-
Change in allowance for doubtful debts during the year	5,375,665	-
Trade receivables written off during the year	-	-
Balance as at end of the year	5,375,665	-

Notes:

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

- No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

- Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days credit period.

- Refer note 44 (c) for information about credit risk of Trade receivables.

- The Company has entered into an arrangement to sell its receivable to third parties on without recourse to the Company. The Company has transferred substantially all the risks and rewards of the asset.

Note 12: Cash and cash equivalents

Refer note 2.18 for accounting policy on Cash and cash equivalents

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Balances with Banks		
- On current Accounts	17,016,840	27,779,233
Cash on hand	63,742	28,421
Cash and cash equivalents as per statement of cash flow	17,080,582	27,807,654

Changes in liabilities arising out of financing activities

Particulars	(Amount in ₹)		
	Term Loan (Current & Non Current)	Other Borrowings	Total
As at April 1, 2017	1,068,643,164	907,668,293	1,976,311,457
Cash Flows	719,942,586	38,467,409	758,409,995
Others	-	45,275,033	45,275,033
As at March 31, 2018	1,788,585,750	991,410,735	2,779,996,485
As at April 1, 2018	1,788,585,750	991,410,735	2,779,996,485
Cash Flows	487,027,625	(445,628,815)	41,398,810
Others	-	34,218,080	34,218,080
As at March 31, 2019	2,275,613,375	580,000,000	2,855,613,375

Notes:

Refer note 44(d) for information about liquidity risk related to cash and cash equivalents

Note 12A : Bank balances other than cash and cash equivalents

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Deposits with original Maturity of more than 3 months but remaining maturity of less than 12 months	1,496,202	-
	1,496,202	-

Notes

Refer note 44(d) for information about liquidity risk related to Bank balances other than cash and cash equivalents.

Note 13: Loans

Refer note 2.15 for accounting policy on Financial instruments

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Current (at amortised cost)		
Unsecured, Considered Good:		
Advance receivable in cash	3,311,597	7,834,789
Security Deposits	455,200	925,000
Total	3,766,797	8,759,789

Note 14: Other financial assets

Refer note 2.15 for accounting policy on Financial instruments

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Unsecured, considered good		
(At amortised cost)		
Gratuity Plan Asset (refer note-37)	2,017,145	-
Other Receivable	2,551,506	-
Total	4,568,651	-

Note 15: Other current assets

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Unsecured, considered good		
Advance receivable in kind or for value to be received	19,135,529	18,400,430
Reimbursement towards sales related obligation provision from related party (refer note -39)	7,408,994	4,008,061
Balance with government authorities	430,093,295	292,252,075
Advance to employees	2,146,896	2,368,448
Prepaid expense	4,880,206	10,027,676
Total	463,664,920	327,056,690

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

Note 16: Equity share capital

Authorised share capital

	Equity shares		Preference Shares	
	Numbers	₹	Numbers	₹
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	-	-
Increase / (decrease) during the year	-	-	-	-
As at March 31, 2019	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 March 31, 2017	11,050,000
Allotted during the year	7,000,000	70,000,000
As at March 31, 2018	18,050,000	180,500,000
Allotted during the year	3,000,000	30,000,000
As at March 31, 2019	21,050,000	210,500,000

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, 2019		As at March 31, 2018	
	Numbers	% holding in the class	Numbers	% holding in the class
Equity shares of ₹ 10 each fully paid				
CEAT Ltd	21,050,000	100.00%	18,049,940	100.00%
Nominess of Ceat Ltd	-	-	60	0.00%

Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Name of the shareholders	As at March 31, 2019		As at March 31, 2018	
	Numbers	% holding in the class	Numbers	% holding in the class
Equity shares of ₹ 10 each fully paid				
CEAT Ltd	21,050,000	100.00%	18,049,940	100.00%
Nominess of Ceat Ltd	-	-	60	0.00%

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

Note 17: Other equity

	(Amount in ₹)	
	As at March 31, 2019	As at March 31, 2018
Securities premium (refer foot note a)	1,890,000,000	1,620,000,000
Cash flow hedge reserve (refer foot note b)	(34,450,985)	(232,905)
Retained earnings (refer foot note c)	(1,056,843,747)	(600,280,825)
Total	798,705,268	1,019,486,270

a) Securities premium

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

	₹
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
Premium on equity shares issued during the year	270,000,000
As at March 31, 2019	1,890,000,000

b) Cash flow hedge reserve

It represents mark-to-market valuation of effective hedges as required by Ind AS 109.

	₹
As at March 31, 2017	45,042,128
Loss arising during the year	(45,275,033)
As at March 31, 2018	(232,905)
Loss arising during the year	(34,218,080)
As at March 31, 2019	(34,450,985)

c) Retained earnings

	₹
As at March 31, 2017	(224,875,481)
Loss for the year	(373,772,795)
Other comprehensive income	(1,632,549)
As at March 31, 2018	(600,280,825)
Loss for the year	(461,986,021)
Other comprehensive income	5,423,099
As at March 31, 2019	(1,056,843,747)

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

Note 18: Borrowings
(At amortised cost)

Refer note 2.15 accounting policies on financial instruments

(Amount in ₹)

	Non-current		Current	
	As at Mar 31, 2019	As at Mar 31, 2018	As at Mar 31, 2019	As at Mar 31, 2018
Non-current interest bearing loans and borrowings:				
I. Secured:				
i) Term loans				
a) Indian rupee loan from banks				
ICICI Bank Ltd. (refer foot note 2 & 4)	1,458,113,375	1,444,998,250	37,500,000	-
YES Bank Ltd. (refer foot note 1 & 4)	-	343,587,500	-	-
SVC Bank Ltd. (refer foot note 3 & 4)	741,000,000	-	39,000,000	-
	2,199,113,375	1,788,585,750	76,500,000	-
Less: amount classified under other financial liabilities (refer note 22)	-	-	(76,500,000)	-
Total	2,199,113,375	1,788,585,750	-	-

1. Term Loan from YES Bank of NIL (March 31, 2018: Rs 35,00,00,000) was secured by first pari passu charge over all the movable and immovable fixed assets of the borrower situated at Amebrnath and second pari-passu, charge by way of hypothecation on all the current assets of the borrower.

2. Term Loan from ICICI Bank of Rs 150,00,00,000 (March 31, 2018:Rs 1,45,00,00,000) is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower and second pari-passu, charge by way of hypothecation on all current assets of the Borrower. The loan is guaranteed by corporate guarantee from the Holding Company. It 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
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	13.12%	

3. Term Loan from SVC Bank of Rs 78,00,00,000 (March 31, 2018: Nil) is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower and second pari-passu, charge by way of hypothecation on all current assets of the Borrower. The loan is guaranteed by corporate guarantee from the Holding Company. It 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.
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%	

Note: Indian rupee term loan from banks, carries floating interest rate ranging from 8.50% p.a. to 9.15% p.a. The company is in process of creating security against the loan availed from SVC Bank.

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

5. Refer note 42 of information about fair value measurement and note 44(d) for information about liquidity risk relates to borrowings

Note 19: Provisions

Refer note 2.13 for accounting policy on Provisions

(Amount in ₹)

	As at Mar 31, 2019	As at Mar 31, 2018
	Non-current provisions	
Provision for sales related obligation (Refer foot note a)	9,164,795	-
Provision for gratuity (refer to note -37)	-	952,694
Provision for compensated absences (Refer foot note b)	4,706,627	4,824,542
Total	13,871,422	5,777,236
Current provisions		
Provision for sales related obligation (Refer foot note a)	3,054,932	5,599,781
Provision for compensated absences (Refer foot note b)	1,015,943	530,600
Provision for indirect tax matter (Refer foot note c)	5,443,589	-
Total	9,514,464	6,130,381

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

a) Provision for sales related obligation:

A provision is recognized for expected sales related 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 sales related obligation were used on current sales level and current information available about returns and claims received for all products sold.

Movement in provision for sales related obligation:

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
As at the beginning of the year	5,599,781	2,139,204
Additions during the year	14,066,223	10,517,653
Utilised during the year	(7,446,277)	(7,057,076)
As at the end of the year	12,219,727	5,599,781

The reimbursement receivable amounting to ₹ 74,08,994 (March 31, 2018: ₹ 40,08,061) in respect of the sales related obligation, has been recognized as an asset, in accordance with Company's accounting policy, and included under other current assets in Note 15.

b) 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:

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
As at the beginning of the year	5,355,142	3,858,268
Additions during the year	1,072,020	1,612,407
Utilised during the year	(704,592)	(115,533)
As at the end of the year	5,722,570	5,355,142

c) Provision for Indirect tax matters

The Company records a provision when the risk or loss is considered probable. The outflow is expected on cessation of the respective event. The provision pertains to differential amount of Goods and Service Tax attributable to the composite supply of Tyres and Tubes for the period from November 15, 2017 to January 11, 2019, aggregating to Rs 54,43,589 lacs and in respect of which the Company is evaluating further legal options.

Movement in provision for Indirect tax matters:

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
As at the beginning of the year	-	-
Additions during the year	5,443,589	-
Utilised during the year	-	-
As at the end of the year	5,443,589	-

Note 20: Borrowings

Refer note 2.15 for accounting policy on Financial instruments

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Current		
Secured		
Buyer's Credit from bank (refer foot note (a))	-	501,410,735
Unsecured		
Inter corporate deposit from related party (refer foot note (b))	580,000,000	490,000,000
Total	580,000,000	991,410,735

Notes:

- All short term borrowings availing 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 the period of the loan)
- The Inter corporate deposit taken from Ceat Ltd is ₹ 58,00,00,000 as on March 31, 2019 (March 31, 2018: ₹ 49,00,00,000). The rate of interest on loan of ₹ 34,00,00,000 is 8.80 % p.a as on 31st March,2019 and on loan of ₹ 24,00,00,000 is 10.40 % p.a as on 31st March,2019.
- Refer note 44 (d) for information about liquidity risk relating to borrowings.

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

Note 21: Trade payables

Refer note 2.15 for accounting policy on Financial instruments

Trade Payables

Dues to micro and small enterprises (Refer footnote)

Overdue

Not due

Trade payables (others)

Trade payable to related parties *

Total

*For terms and conditions with related parties, refer to note 39.

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Overdue	1,007,200	-
Not due	2,036,458	14,661
Trade payables (others)	251,756,378	200,830,131
Trade payable to related parties *	733,811,189	227,624,961
Total	988,611,225	428,469,753

Note:

a) Disclosure required under the Micro, Small and Medium Enterprises Development Act, 2006 (the MSME Act) are given as follows:

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
i) The principal amount remaining unpaid to any supplier as at the end of each accounting year	3,043,658	14,661
ii) Interest due thereon remaining unpaid to any supplier as at the end of accounting year	730,667	-
iii) The amount of interest paid by the buyer in terms of section 16 of the MSME Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		
iv) The amount of interest due and payable for the year	730,667	-
v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

The information disclosed above is to the extent available with the Company.

b) Trade payables are non interest bearing and normally settled on 30 to 90 days

(c) Refer note 44 (d) for information about liquidity risk related to Trade payables.

Note 22: Other financial liabilities

Refer note 2.15 for accounting policy on Financial instruments

Current

At fair value through other comprehensive income

Derivative financial instrument

At amortised cost

Current maturities of long-term borrowings

Interest accrued but not due on borrowings

Payable to capital vendors

Deposits from dealers and others

Total

Notes:

(a) Refer note 42 of information about fair value measurement and note 44 (d) for information about liquidity risk related to other financial liabilities.

Note 23: Other current liabilities

Statutory dues

Advance from Customers*

Total

* Balance as at March 31, 2019 represents contract liabilities

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Derivative financial instrument	33,687,510	1,826,735
Current maturities of long-term borrowings	76,500,000	-
Interest accrued but not due on borrowings	373,973	8,556,454
Payable to capital vendors	115,725,919	118,250,436
Deposits from dealers and others	75,779,851	70,230,437
Total	302,067,253	198,864,062

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Statutory dues	24,026,041	15,546,739
Advance from Customers*	10,564,378	6,805,000
Total	34,590,419	22,351,739

CEAT Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019****Note 24: Revenue from operations**

Refer note 2.4 for accounting policy on Revenue recognition and 2.5 for government grant and export incentives

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	<u>2018-19</u>	<u>(Amount in ₹)</u> <u>2017-18*</u>
Revenue recognised at the point of time		
Automotive Tyres	3,421,697,438	2,463,500,492
Tubes and others	211,019,224	188,360,163
Sale of scrap	<u>7,535,671</u>	<u>2,439,979</u>
Total revenue from contracts with customers	<u>3,640,252,333</u>	<u>2,654,300,634</u>
Other Operating Income		
Government grants (Refer foot note a)	<u>38,928,740</u>	<u>12,097,451</u>
Revenue from operations	<u>3,679,181,073</u>	<u>2,666,398,085</u>

Notes

a)The Company has recognised a government grant as income on account of Export Incentive under Merchandise Exports from India Scheme (MEIS) from Directorate General of Foreign Trade, Government of India.

b)Previous year figure of sales related obligations have been reclassified from 'Revenue from operations' to 'Other expenses' to conform to current year's classification.

	<u>(Amount in ₹)</u> <u>2018-19</u>
India	<u>2,548,373,948</u>
Outside India	<u>1,091,878,385</u>
Total revenue from contracts with customers	<u>3,640,252,333</u>

Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	<u>(Amount in ₹)</u> <u>As at</u> <u>March 31, 2019</u>
Trade receivables (Refer note 11)	<u>538,581,946</u>
Contract liabilities (Refer note 23)	<u>10,564,378</u>

Contract liabilities includes payments received in advance of performance under the contract.

	<u>(Amount in ₹)</u>
Revenue recognised in the period from:	
Amounts included in contract liability at the beginning of the period	<u>6,805,000</u>
Performance obligations satisfied in previous periods	<u>-</u>

The Company receives payment from customers based on a billing schedule, as established in the contracts with customers. Trade receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) the Company perform under the contract.

Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price:

	<u>(Amount in ₹)</u> <u>2018-19</u>
Revenue as per contracted price	<u>3,657,217,031</u>
Reductions towards variable consideration components	<u>(16,964,698)</u>
Revenue from contracts with customers	<u>3,640,252,333</u>

The reduction towards variable consideration comprises of discounts etc.

Practical expedients

The Company has taken advantage of the following practical exemptions:

-Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods or services to its customer is one year or less;

*The cumulative effect of initially applying Ind AS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under Ind AS 18(Refer note 2.2).

CEAT Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

Note 25: Other Income

Refer note 2.4 for accounting policy on Revenue recognition

	(Amount in ₹)	
	2018-19	2017-18
Interest income on		
Bank deposits	757,205	827,564
Other deposits	1,057,890	8,700
Dividend income on current investments	-	215,253
Other non operating income	4,601,548	
Foreign exchange fluctuations (net)	-	1,818,921
Total	6,416,643	2,870,438

Note 26: Cost of Raw materials consumed

	(Amount in ₹)	
	2018-19	2017-18
Opening stock	34,912,608	-
Add: Purchases	437,382,969	239,892,302
	472,295,577	239,892,302
Less: Closing stock	(75,630,645)	(34,912,608)
Total	396,664,932	204,979,694

Details of raw materials consumed

	(Amount in ₹)	
	2018-19	2017-18
Bead	7,105,474	3,021,779
Fabric	10,562,254	40,944,218
Rubber	189,657,060	2,793,630
Carbon black	78,999,370	-
Chemical	55,019,835	-
Other Materials	40,389,998	2,810,661
Compound	14,930,941	155,409,406
Total	396,664,932	204,979,694

Details of closing inventories

	(Amount in ₹)	
	As at Mar 31, 2019	As at Mar 31, 2018
Bead	1,860,489	1,443,313
Fabric	7,188,834	8,639,120
Rubber	45,419,355	7,802,029
Carbon black	9,388,241	977,864
Chemical	9,768,124	1,544,008
Others	2,005,602	8,763,052
Compound	-	5,743,222
Total (refer note 10(a))	75,630,645	34,912,608

Note 27: Purchase of Traded Goods

	(Amount in ₹)	
	2018-19	2017-18
Purchase of traded goods	2,479,691,342	2,068,063,847
Total	2,479,691,342	2,068,063,847

Note 28: Changes in inventories of finished goods, stock in trade and work in progress.

	(Amount in ₹)	
	2018-19	2017-18
Opening Stock		
a) Work-in-progress	10,415,898	-
b) Finished Goods	20,337,787	-
c) Stock in trade	124,715,902	128,449,619
	155,469,587	128,449,619

CEAT Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019****Closing Stock**

a) Work-in-progress	6,959,729	10,415,898
b) Finished Goods	12,607,165	20,337,787
c) Stock in trade	202,528,057	124,715,902

	222,094,951	155,469,587
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Total change in inventories

	(66,625,364)	(27,019,968)
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Note 29: Employee benefit expense

Refer note 2.14 for accounting policy on Retirement and other employee benefits

(Amount in ₹)

	2018-19	2017-18
Salaries, wages and bonus	209,475,197	143,372,059
Contribution to provident and other funds	12,498,980	6,899,809
Gratuity expenses (Refer note 37)	3,489,251	1,722,826
Staff welfare expenses	36,631,815	24,584,271
Total	262,095,243	176,578,965

Note 30: Finance costs

Refer note 2.9 for accounting policy on borrowing costs

(Amount in ₹)

	2018-19	2017-18
Interest on debts and borrowings	271,525,372	133,824,906
Other borrowing costs	12,304,025	16,127,453
Total	283,829,397	149,952,359

Note 31: Depreciation and amortization expense

Refer note 2.7 for accounting policy on property, plant and equipment and 2.8 on intangible assets

(Amount in ₹)

	2018-19	2017-18
Depreciation of tangible assets (Refer note 3)	137,917,939	45,742,280
Amortization of intangible assets (Refer note 4)	45,484,732	19,965,492
Total	183,402,671	65,707,772

Note 32: Other expenses**(Amount in ₹)**

	2018-19	2017-18
Freight and delivery charges	93,148,333	75,301,738
Warehouse charges	4,791,610	4,505,857
Rent for premises	1,378,796	2,570,702
Lease rent	544,875	757,193
Rates and taxes	-	28,616
Insurance	7,209,079	4,417,770
Stores and spares consumed	18,403,905	5,590,196
Power and Fuel	77,591,494	28,347,823
Repairs & Maintainance		
-Repairs Plant & Machinery	11,327,318	5,066,088
-Repairs Building	1,159,897	43,600
-Repairs Others	153,987	147,912
Travelling and conveyance	30,348,877	39,509,445
Printing and stationery	1,721,679	790,752
Payment to auditors (Refer foot note 1)	1,663,220	1,682,342
Advertisement and sales promotion expenses	102,097,058	80,037,911
Communication expenses	13,271,194	8,359,964
Legal charges	161,889	8,831,650
Professional and consultancy charges	97,794,054	52,275,810
Commission on sales	-	1,860,000
Training and conference expenses	7,288,459	4,114,269
Bank charges	12,544,809	5,957,643
Office expenses	40,980,943	35,008,925
Sales related obligation*	4,038,302	2,692,251
Allowance for Doubtful debts	5,375,665	-

CEAT Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019**

Foreign exchange fluctuations (net)	4,448,984	-
Miscellaneous expenses	65,637,500	36,880,192
Total	603,081,927	404,778,649

*Previous year figure of sales related obligations have been reclassified from 'Revenue from operations' to 'Other expenses' to conform to current year's classification.

1. Payments to auditor:

	(Amount in ₹)	
	2018-19	2017-18
As auditor*		
Audit fee	950,000	950,000
Limited review	600,000	600,000
In other capacity:		
other services(including certification fees)	100,000	125,000
Reimbursement of expenses	13,220	7,342
Total payment to auditor	1,663,220	1,682,342

* Exclusive of service tax/GST

Note 33: Exceptional items

	(Amount in ₹)	
	2018-19	2017-18
Provision for indirect tax matters (Refer foot note a)	5,443,589	-
Total	5,443,589	-

Notes

a. Provision for differential amount of Goods and Service Tax is attributable to the composite supply of Tyres and Tubes for the period from November 15, 2017 to January 11, 2019, aggregating to ₹ 54,43,589 lacs and in respect of which the Company is evaluating further legal options.

Note 34: Research and development costs

	(Amount in ₹)	
	2018-19	2017-18
Capital expenditure	36,366,934	57,658,125
Revenue expenditure	43,953,568	47,138,307
Total	80,320,502	104,796,432

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 35: Earning per share

Refer note 2.21 for accounting policy on earnings per share

Basic Earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to equity holders of the company 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 of the company 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:

	(Amount in ₹)	
	2018-19	2017-18
Net loss after tax for calculation of basic and diluted EPS	(461,986,021)	(373,772,795)
Weighted average number of equity shares (face value per share ₹ 10 each) in calculating basic EPS and diluted EPS	19,940,411	12,986,986
Basic earnings per share (face value per share ₹ 10 each)	(23.17)	(28.78)
Diluted earnings per share(face value per share ₹ 10 each)	(23.17)	(28.78)

Note 36: 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. Further details on taxes are disclosed in note 7.

b) Defined benefit plans (gratuity benefits)

The Company's obligation on account of gratuity, compensated absences and present value of gratuity obligation are 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. Increase in future salary and gratuity is based on expected future inflation rates.

Further details about gratuity obligations are given in Note 37.

c) Provision for sales related obligation

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-being typically up to three years.

d) 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. (refer Note 42 and 43 for further disclosures)

Note 37: Post-retirements benefit plan

Refer note 2.14 for accounting policy on Retirement and other employee benefits

a) Defined Contribution plan

The Company has recognised and included in Note No.29 "Contribution to Provident and other funds" expenses towards the defined contribution plan as under:

Particulars	(Amount in ₹)	
	2018-19	2017-18
Contribution to Provident fund (Government)	11,111,628	6,214,244

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.

Ceat Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019**

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	As at March 31, 2019	As at March 31, 2018
1	Opening present value of defined benefit obligation	10,679,840	6,450,999
2	Current service cost	3,416,898	2,164,759
3	Interest cost	811,091	489,430
4	Benefits paid	(2,030,635)	-
5	Remeasurement (gain) / loss in other comprehensive income		
	Due to change in Demographic assumptions	(1,065,992)	
	Due to change in Financial assumptions	301,283	(763,548)
	Due to experience adjustments	(5,018,586)	2,338,200
6	Closing present value of obligation	7,093,899	10,679,840

ii) Changes in Fair value of Plan Assets as as follows**(Amount in ₹)**

Sr. No.	Particulars	As at March 31, 2019	As at March 31, 2018
1	Fair value of plan assets as at April 1	9,727,146	5,811,350
2	Expected return on plan assets	738,738	441,663
3	Contributions made	1,035,991	3,532,030
4	Benefits paid	(2,030,635)	
5	Return on plan assets, excluding amount recognised in net interest expense	(360,196)	(57,897)
6	Fair value of plan assets as at March 31	9,111,044	9,727,146

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

iii) Expenses recognised during the period

(Amount in ₹)

Sr. No.	Particulars	2018-19	2017-18
1	In Income Statement	3,489,251	2,212,256
2	In Other Comprehensive Income	(5,423,099)	1,632,549
3	Total Expenses recognised during the period	(1,933,848)	3,844,805

iv) Expenses recognized in the Income Statement

(Amount in ₹)

Sr. No.	Particulars	2018-19	2017-18
1	Current Service Cost	3,416,898	1,722,826
2	Interest Cost on benefit obligation	811,091	489,430
3	Expected return on plan assets	(738,738)	-
3	Net benefit expense	3,489,251	2,212,256

v) Expenses recognized in Other Comprehensive Income (OCI)

(Amount in ₹)

Sr. No.	Particulars	Gratuity 2018-19	Gratuity 2017-18
1	Remeasurement arising from changes in demographic assumptions	(1,065,992)	-
2	Remeasurement arising from changes in financial assumptions	301,283	(763,548)
3	Remeasurement arising from changes in experience variance	(5,018,586)	2,338,200
4	Return on plan assets, excluding amount recognized in net interest expense	360,196	57,897
5	Components of defined benefit costs recognized in other comprehensive income	(5,423,099)	1,632,549

vi) Net Assets / (Liability) as at year end

(Amount in ₹)

Sr.No.	Particulars	As at March 31, 2019	As at March 31, 2018
1	Closing Present value of the defined benefit obligation	7,093,899	10,679,840
2	Closing Fair value of plan Assets	9,111,044	9,727,146
3	Net (Liability)/Assets recognized in the Balance Sheet	2,017,145	(952,694)

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019
vii) Actual return on plan assets for the year ended

(Amount in ₹)

Sr. No.	Particulars	2018-19	2017-18
1	Expected return on plan assets	738,738	441,663
2	Actuarial (loss)/gain on plan assets	(360,196)	(57,897)
	Actual return on plan assets	378,542	383,766

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

Particulars	As at March 31, 2019	As at March 31, 2018
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 over time. 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 in the previous year of ₹ 20 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

The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Particulars	2018-19	2017-18
Discount Rates (per annum)	7.60%	7.60%
Salary growth rate (per annum)	7.00%	7.00%
Mortality rate (% of Indian Assured Lives Mortality (2006-08) Modified Ultimate)	100%	100%
Disability Rate	5% of mortality rate	5% of mortality rate
Withdrawal rates, based on service year: (per annum)	15%	6%
Retirement Age	58 years	58 years

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

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 below 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:

Particulars	(Amount in ₹)	
	As at March 31, 2019	As at March 31, 2018
Defined Benefit Obligation (Base)	7,093,899	10,679,840

A quantitative sensitivity analysis for significant assumption as at March 31, 2019 is as shown below:

Particulars	(Amount in ₹)			
	2018-19		2017-18	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	7,579,709	6,658,022	11,798,334	9,726,111
(% change compared to base due to sensitivity)	6.80%	-6.10%	10.47%	-8.93%
Salary Growth Rate (- / + 1%)	6,653,151	7,576,145	9,735,602	11,766,481
(% change compared to base due to sensitivity)	-6.20%	6.80%	-8.84%	10.17%
Attrition Rate (- / + 1%)	7,207,563	6,981,849	10,746,009	10,608,867
(% change compared to base due to sensitivity)	1.60%	-1.60%	0.62%	-0.66%
Mortality Rate (- / + 10% of mortality rates)	7,092,896	7,094,900	10,678,330	10,681,347
(% change compared to base due to sensitivity)	0.00%	0.00%	0.00%	0.00%

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Company has purchased an insurance policy to provide for payment of gratuity to the employees. Every year, the insurance Company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company.

The Company's best estimate of contribution during the next year is Nil.

The weighted average duration (based on discounted cash flows) of defined benefit obligation is 6 years.

The following payments are expected contributions to the defined benefit plan in future years:

	(Amount in ₹)	
	As at March 31, 2019	As at March 31, 2018
Year 1	457,110	427,743
Year 2	599,694	851,101
Year 3	1,198,409	825,155
Year 4	1,117,117	2,143,977
Year 5	949,948	2,013,305
Next 5 year	3,907,087	14,742,991
Total expected payments	8,229,365	21,004,272

Ceat Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019**

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 outflows happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the 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 38: Commitments and contingencies**a. Leases**

Refer note 2.10 for accounting policy on leases

Operating lease commitments — Company as lessee

The Company has entered 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 ₹ 544,875 (March 31, 2018 ₹ 757,193) has been charged to Statement of Profit and Loss.

Future minimum rentals payable under non-cancellable operating leases as at March 31, 2019 are, as follows:

(Amount in ₹)		
Particulars	As at March 31, 2019	As at March 31, 2018
Within one year	604,872	604,872
After one year but not more than five years	1,814,616	2,419,488
More than five years	-	-

b. Contingent Liabilities

Refer note 2.23 for accounting policy on contingent liabilities and contingent assets

There are numerous interpretative issues relating to the Supreme Court (SC) judgement on Provident Fund (PF) dated February 28, 2019. The Company is in the process of receiving further clarity on the subject.

c. Commitments

(Amount in ₹)		
Particulars	As at March 31, 2019	As at March 31, 2018
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments)	473,312,888	219,078,183

Note 39: Related party transactions**a) Names of related parties and related party relationship****Related parties where control exists**

- CEAT Limited (Ultimate Holding Company)
- CEAT Specialty Tires, Inc. (Subsidiary Company)
- CEAT Specialty Tyres, B.V. (Subsidiary Company)

Related parties with whom transactions have taken place during the current year and previous year

- KEC International Limited (Directors, KMP or their relatives are interested)
- Raychem RPG Private Limited (Directors, KMP or their relatives are interested)
- RPG Enterprises Limited (Directors, KMP or their relatives are interested)
- Key Management Personnel (KMP) :
 - i) Mr Vijaysinh Shrimantrao Gambhire, Managing Director (w.e.f. March 1, 2018)
 - ii) Mr. Kunal Mundra, Managing Director (till February 28, 2018)
 - iii) Mr. Sandeep Sarkhot, Chief Financial Officer
 - iv) Mr. Paras Kumar Chowdhary, Independent Director
 - v) Mr. Kottukappallil Thomas Tom , Director
 - vi) Mr. Anant Vardhan Goenka, Chairman
 - vii) Mr. Kishor Chandrakant Shete, Independent Director
 - viii) Ms. Shruti Ratnakar Joshi, Director
 - ix) Mr. Arnab Mrinal Banerjee, Director
 - x) Mr. Sunil Malik, Company Secretary
 - xi) Mr. Amit Dodani, Company Secretary

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

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

(Amount in ₹)			
Related Party	Transactions	2018-19	2017-18
CEAT Limited	Purchase of Traded	2,339,806,095	2,161,988,144
CEAT Limited	Sales of Traded goods	27,574,882	-
CEAT Limited	Loan taken	1,963,000,000	1,970,000,000
CEAT Limited	Loan Repayment	1,873,000,000	1,980,000,000
CEAT Limited	Interest paid on loan (including capitalised)	40,522,593	37,659,804
CEAT Limited	Sale of MEIS Licenses	11,637,384	-
CEAT Limited	Equity Capital (including share premium) received during the year	300,000,000	700,000,000
CEAT Limited	Building Maintenance recovery	2,922,057	2,584,556
CEAT Limited	Facility & other lease recovery	212,180,975	166,466,115
CEAT Limited	Corporate guarantee Commission	18,054,195	15,887,970
CEAT Specialty Tires, Inc	Consultancy Fees	52,546,365	23,872,389
CEAT Specialty Tires, Inc	Investment in equity shares	-	2,579,200
CEAT Specialty Tyres, B.V.	Consultancy Fees	30,757,205	-
CEAT Specialty Tyres, B.V.	Investment in equity shares	3,990,889	-
RPG Enterprises Limited	Reimbursement of expenses	437,263	-
KEC International Limited	Reimbursement of expenses	700,796	-

c) Balance outstanding at the year end

(Amount in ₹)			
Related party	Amount due to / from related party	As at March 31, 2019	As at March 31, 2018
CEAT Limited	Inter Corporate Deposit – Loans taken	580,000,000	490,000,000
CEAT Limited	Trade payable	724,253,523	223,268,739
CEAT Limited	Receivable towards warranty claim	7,408,994	4,008,061
Raychem RPG Pvt. Limited	Payable to Capital Vendor	-	4,701
CEAT Specialty Tires, Inc	Payable for Marketing Consultancy	6,352,637	4,356,222
CEAT Specialty Tires, Inc	Investment in Equity Shares	2,579,200	2,579,200
CEAT Specialty Tyres, B.V.	Payable for Marketing Consultancy	2,504,232	-
CEAT Specialty Tyres, B.V.	Investment in Equity Shares	3,990,889	-
KEC International Limited	Payable for reimbursement of expenses	700,796	-

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

d) Transactions with key management personnel and their relatives

(Amount in ₹)

Sr. No.	Related party	2018-19	2017-18
1)	Mr. Vijaysinh Shrimantrao Gambhire		
	Salaries	11,422,294	922,242
	Allowances and Perquisites	39,600	-
	Performance bonus	2,346,024	-
	Contribution to Provident & Superannuation	494,229	39,091
	Total	14,302,147	961,333
2)	Mr. Kunal Mundra		
	Salaries	-	9,058,938
	Allowances and Perquisites	-	43,228
	Performance bonus	-	3,086,054
	Contribution to Provident & Superannuation	-	412,872
	Leave encashment	-	123,233
	Total	-	12,724,325
3)	Mr. Sandeep Sarkhot		
	Salaries	4,514,714	4,218,306
	Allowances and Perquisites	39,600	28,800
	Performance bonus	1,486,807	1,310,404
	Contribution to Provident & Superannuation	185,091	175,047
	Total	6,226,212	5,732,557
4)	Mr. Sunil Malik		
	Salaries	952,968	1,206,000
	Performance bonus	252,374	
	Allowances and Perquisites	-	
	Contribution to Provident & Superannuation	51,203	64,800
	Total	1,256,545	1,270,800

*Represents amount paid during the year.

(Amount in ₹)

Particulars	March 31, 2019	March 31, 2018
Short-term employee benefits	21,054,381	19,873,972
Termination benefits	730,523	815,043
Total	21,784,904	20,689,015

Terms and conditions of transactions with related parties

The sales to and purchases and others 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.

The remuneration to the key managerial personnel does not include the provisions made for gratuity as it is 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. The amount outstanding are unsecured and will be settled in cash.

Note 40: Segment information

Refer note 2.22 for accounting policy on Segment reporting

The Company is primarily engaged in business of manufacturing and sales of Tyres ,Tubes & Flaps. Company's performance for operations as defined in Ind AS 108 are evaluated as a whole by Board of Directors ('CODM') of the Company based on which manufacturing and sale activities of Tyres ,Tubes & Flaps are considered as a single operating segment.

Information about products

(Amount in ₹)

Particulars	2018-19			2017-18		
	Automotive Tyres	Tubes and others	Total	Automotive Tyres	Tubes and others	Total
Revenue from sale of products	3,421,697,438	218,554,895	3,640,252,333	2,463,500,492	190,800,142	2,654,300,634

Information about geographical areas

(Amount in ₹)

Particulars	2018-19			2017-18		
	In India	Outside India	Total	In India	Outside India	Total
Revenue from sale of products	2,548,373,948	1,091,878,385	3,640,252,333	2,100,983,014	553,317,620	2,654,300,634
Non-current assets	3,795,251,100	-	3,795,251,100	3,573,435,805	-	3,573,435,805

Information of one external customers who has generated revenue of 10% or more of the Company's total revenue :

(Amount in ₹)

Particulars	2018-19	2017-18
Revenue from sale of products (Gross)	716,577,744	519,543,200

During the year 2018-19 and 2017-18, no single country outside India has given revenue of more than 10% of total revenue.

Note 41: 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 or which are highly probable forecast transactions. 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 recognized purchase payables, committed future purchases, recognized sales receivables, forecast sales and Foreign Currency loan (Buyer's Credit) in US dollar & Euro.

(Amount in foreign currency and ₹)

Derivative	Currency	As at March 31, 2019		As at March 31, 2018		Purpose
		FC	₹	FC	₹	
Forward Contract to sell foreign Currency	USD	862,856	59,640,578	1,568,539	102,221,687	Hedge of Foreign Currency sales
	EUR	423,487	32,874,710	329,491	26,233,342	
Forward Contract to buy foreign Currency	USD	1,582,055	109,351,617	7,372,020	480,548,922	Hedge of foreign currency purchase
	EURO	3,764,750	292,252,648	259,645	20,861,813	

(Amount in foreign currency)

Unhedged foreign currency Exposure*	Currency	2018-19	2017-18
Trade Payables and other financial Liabilities	USD	242,821	503,692
	EUR	24,928	155,460
	GBP	28,968	57,924
Trade Receivables	USD	544,976	211,980
	EURO	443,153	136,328
Advances Recoverable in cash or kind	CNY	-	10,282

*The trade payables and other financial liabilities are naturally hedged (off-set) to the extent of exposure under trade receivables / advances for respective currencies.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arise requiring recognition through statement of profit and loss.

Ceat Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019**

The cash flow hedges as at March 31, 2019 were assessed to be highly effective and a net unrealised loss of ₹ 3,42,18,080 relating to the hedging instruments is included in OCI. Comparatively, the cash flow hedges as at March 31, 2018 were assessed to be highly effective and a net unrealised loss of ₹ 4,52,75,033 relating to the hedging instruments, was included in OCI.

Note 42: 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 ₹)				
	As at March 31, 2019		As at March 31, 2018	
	Carrying values	Fair values	Carrying values	Fair values
Financial assets				
At amortised cost				
Other financial assets (Non-current)	206,085	206,085	1,964,846	1,964,846
Total	206,085	206,085	1,964,846	1,964,846
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	2,199,113,375	2,199,113,375	1,788,585,750	1,788,585,750
At fair value through other comprehensive income				
Other financial liabilities (Current)				
- Derivative financial instrument	33,687,510	33,687,510	1,826,735	1,826,735
Total	2,232,800,885	2,232,800,885	1,790,412,485	1,790,412,485

The management assessed that fair values of cash and cash equivalents, trade receivables, trade payables, loans, bank overdrafts and other current financial assets and liabilities (except derivative financial instrument those being measured at fair value through other comprehensive income) which are receivable/payable within one year 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 foreign exchange forward contracts used for hedging the recognized import trade payables / export trade receivables have been valued based on the Closing spot value. 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 input including foreign exchange spot and forward rates.

Note 43: 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, 2019

(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				
Other financial assets (Non-current)	206,085	-	206,085	-
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	2,199,113,375	-	2,199,113,375	-
At fair value through other comprehensive income				
Other financial liabilities (Current)				
- Derivative financial instrument	33,687,510	-	33,687,510	-

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, 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				
Other financial assets (Non-current)	1,964,846	-	1,964,846	-
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	1,788,585,750	-	1,788,585,750	-
At fair value through other comprehensive income				
Other financial liabilities (Current)				
-Derivative financial instrument	1,826,735		1,826,735	

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

Note 44 : 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, cash and cash equivalents that derive directly from its operations. The Company also enters into derivative transactions.

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. The Board of Directors through its risk management committee reviews and agrees policies for managing each of these risks, which are summarised below.

a. 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 sensitivity analysis in the following sections relate to the position as at March 31, 2019 and March 31, 2018.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at March 31, 2019.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations and provisions.

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

- 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, 2019 and March 31, 2018 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 2019 for the effects of the assumed changes of the underlying risk

i. 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

Particulars	(Amount in ₹)	
	As at March 31, 2019	As at March 31, 2018
Fixed rate borrowings	580,000,000	490,000,000
Floating rate borrowings	2,275,613,375	2,289,996,485
Total borrowings	2,855,613,375	2,779,996,485

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:

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

(Amount in ₹)

	Increase/decrease in basis points	Effect on profit before tax
March 31, 2019		
	+/- 100 bps	-2,27,56,134/ +2,27,56,134
March 31, 2018		
	+/- 100 bps	-2,28,99,965/ +2,28,99,965

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.

ii. 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 hedging transactions that are expected to occur within a maximum 6 month period for the foreign currency denominated trade payables and trade receivables. When a derivative 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, 2019, the Company is not having outstanding foreign currency loans, thus hedged is Nil (March 31, 2018: 94%). This foreign currency risk is hedged by using foreign currency forward contracts. At March 31, 2019, the Company hedged 56% (March 31, 2018: 95%) of its foreign currency receivables/payables.

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.

Particulars	Change in Currency	Effect on profit before tax
March 31, 2019		
Recognized net receivable – USD 302,156	₹ +1/- 1	-3,02,156/- +3,02,156/-
Recognized net receivable – EUR 418,225	₹ +1/- 1	-4,18,225/- +4,18,225/-
March 31, 2018		
Recognized net payables – USD 291,712	₹ +1/- 1	-2,91,712 /- +2,91,712/-
Recognized net receivable – EUR 19,132	₹ +1/- 1	-19,132 / +19,132/-

The movement in the pre-tax effect is a result of a change in the fair value of the financial asset/liability due to the exchange rate movement. The derivatives which have not been designated in a hedge relationship act as an economic hedge and will offset the underlying transactions when they occur. The same derivatives are not covered in the above table.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

b. Commodity price risk

The Company is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase of rubber and carbon black and therefore require a continuous supply of rubber and carbon black. Due to the significantly increased volatility of the price of the rubber and carbon black, the Company also entered into various purchase contracts for rubber and carbon black (for which there is an active market).

The Company's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Commodity price sensitivity

The following table approximately details the Company's sensitivity to a 5% movement in the input price of rubber and carbon black. The sensitivity analysis includes only 5% change in commodity prices for quantity sold or consumed during the year, with all other variables held constant. A positive number below indicates an increase in profit or equity where the commodity prices decrease by 5%. For a 5% increase in commodity prices, there would be a comparable impact on profit or equity, and the balances below would be negative.

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

(Amount in ₹)

Commodity	Increase in profit due to decrease in commodity price	Decrease in profit due to increase in commodity price
	As at March 31, 2019	As at March 31, 2019
Natural Rubber	6,626,850	(6,626,850)
Synthetic Rubber	4,736,869	(4,736,869)
Carbon Black	4,370,487	(4,370,487)

c. 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 non-interest bearing and are generally on 30 days to 90 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored. Credit risk on receivables is also mitigated by securing the same against security deposit, letter of credit and advance payment.

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 has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

(Amount in ₹)

Particulars	As at March 31, 2019		
	Less than 180 days	More than 180 but less than 360 days	More than 360 days
Expected loss rate	0%	27%	67%
Gross carrying amount	534,589,146	2,156,687	7,211,778
Loss allowance provision	-	577,615	4,798,050

Export customers are against Letter of Credit, bank guarantees, payment against documents. For open credit exports insurance cover is taken. Generally deposits are taken from domestic debtors under replacement segment. The carrying amount and fair value of security deposit from dealers amounts to ₹ 7,57,79,851 (March 31, 2018: ₹ 7,02,30,437) as it is payable on demand. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

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 as per the Investment policy. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at March 31, 2019 and March 31, 2018 is the carrying amounts as illustrated in note 11 and note 13 except for derivative financial instruments. The Company's maximum exposure relating to financial derivative instruments is noted in note 22.

d. Liquidity risk

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.

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019
Liquidity exposure as at March 31, 2019

(Amount in ₹)

Particulars	< 1 year	1-5 years	>5 years	Total
Financial assets				
Non-current investments	-	-	6,570,089	6,570,089
Other non-current financial assets	-	206,085	-	206,085
Loans	3,766,797	-	-	3,766,797
Trade receivables	538,581,946	-	-	538,581,946
Cash and cash equivalents	17,080,582	-	-	17,080,582
Bank balances other than cash and cash equivalents	1,496,202	-	-	1,496,202
Other current financial assets	4,568,651	-	-	4,568,651
Total financial assets	565,494,178	206,085	6,570,089	572,270,352
Non current borrowings		1,173,813,375	1,025,300,000	2,199,113,375
Current borrowings	580,000,000	-	-	580,000,000
Other Financial Liabilities	302,067,253	-	-	302,067,253
Trade payables	988,611,225	-	-	988,611,225
Total financial liabilities	1,870,678,478	1,173,813,375	1,025,300,000	4,069,791,853

Liquidity exposure as at March 31, 2018

(Amount in ₹)

Particulars	< 1 year	1-5 years	>5 years	Total
Financial assets				
Non-current investments	-	-	2,579,200	2,579,200
Other non current financial assets	1,496,202	468,644	-	1,964,846
Loans	8,759,789	-	-	8,759,789
Trade receivables	511,578,787	-	-	511,578,787
Cash and cash equivalents	27,807,654	-	-	27,807,654
Total financial assets	549,642,432	468,644	2,579,200	552,690,276
Non current borrowings	-	894,292,875	894,292,875	1,788,585,750
Current borrowings	991,410,735	-	-	991,410,735
Other Financial Liabilities	198,864,062	-	-	198,864,062
Trade payables	428,469,753	-	-	428,469,753
Total financial liabilities	1,618,744,550	894,292,875	894,292,875	3,407,330,300

e. 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 45: 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 Company. 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. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

Ceat Specialty Tyres Limited**Notes to financial statements for year ended March 31, 2019****(Amount in ₹)**

	March 31, 2019	March 31, 2018
Borrowings *(Note 18, 20 and 22)	2,855,613,375	2,779,996,485
Less: cash and cash equivalents and other bank balances (Note 12 and 12A)	(18,576,784)	(27,807,654)
Net debt	2,837,036,591	2,752,188,831
Equity (Note 16 and 17)	1,009,205,268	1,199,986,270
Capital and net debt	3,846,241,859	3,952,175,101
Gearing ratio	74%	70%

*Includes current maturities of long term borrowings

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, 2019 and March 31, 2018.

Note 46: Events after the reporting period

The Board of Directors of the Company at its meeting held on April 3, 2019 had approved a "Scheme of Amalgamation (the Scheme)" between the Company and its parent company, CEAT Limited, and their respective shareholders and creditors under section 230 and 232 and other applicable provisions of the Companies Act, 2013. The Scheme of amalgamation has been filed with National Company Law Tribunal (NCLT) on April 22, 2019. The process of sanction of the Scheme by the Hon'ble NCLT is in progress. The management is of the view that the proposed arrangement would not affect the carrying value of its assets and liabilities as at March 31, 2019 and accordingly the financial statements of the Company have been prepared on going concern basis.

Note 47: Material foreseeable losses

The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

Note 48: Standards issued but not yet effective

The amendments to standards that are issued but not yet effective up to the date of issue of the financial statements are discussed below:

Ind AS 116 - Leases

Ind AS 116 Leases was notified by MCA on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company intends to adopt these standards from 1 April 2019. The Company continues to evaluate the available transition methods and its contractual arrangements. The Company has established an implementation team to implement Ind AS 116 and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary. The Company is currently evaluating the effect of this potential impact of IND AS 116 on its financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which should be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives. The Company is currently evaluating the effect of this amendment on the financial statements.

Ceat Specialty Tyres Limited

Notes to financial statements for year ended March 31, 2019

Amendment to Ind AS 12 – Income taxes

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company is currently evaluating the effect of this amendment on the financial statements.

Amendment to Ind AS 19 – plan amendment, curtailment or settlement

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019.

The Company is currently evaluating the effect of this amendment on the financial statements.

Amendments to Ind AS 109: Prepayment Features with Negative

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 109. The amendment clarifies that a financial asset passes the SPPI (Solely Payments of Principal & Interest) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The Company is currently evaluating the effect of this amendment on the financial statements.

Amendments to Ind AS 23: Borrowing Costs

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 23. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 April 2019. The Company is currently evaluating the effect of this amendment on 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

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

Vijay Gambhire
Managing Director

Arnab Banerjee
Director

per Vinayak Pujare

Partner

Membership Number :101143

Sandeep Sarkhot
Chief Financial Officer

Amit Dodani
Company Secretary

Place: Mumbai

Date: May 7, 2019

Place: Mumbai

Date: May 7, 2019