Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

1. Corporate Information

Amara Raja Batteries Limited ("the Company") is one of the largest manufacturer of lead-acid storage batteries for industrial and automotive applications in India. The equity shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited. The Company's products are supplied to customer groups viz., Telecom, Railways, Power Control, Solar and UPS under Industrial Battery business; and to Automobile OEMs, Replacement Market and Private Label Customers under Automotive Battery business. The Company's products are exported to various countries in the Indian Ocean Rim. The Company also provides installation, commissioning and maintenance services. The leading automotive and industrial battery brands of the Company are Amaron®, PowerZone™, Power Stack®, AmaronVolt™ and Quanta®.

2. Significant Accounting Policies

A. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act, 2013 ("the Act"). The financial statements have also been prepared in accordance with the relevant presentation requirements of the Act.

B. Basis of preparation and presentation

These financial statements have been prepared on historical cost convention and on an accrual basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. These financial statements are presented in Indian Rupees (₹) which is also the Company's functional currency.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

C. Operating Cycle

All assets have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act and Ind AS 1 – Presentation of Financial Statements, based on the nature of the products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

D. Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires Management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

The following are the critical judgements and estimates that have been made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

i) Provision for warranty

The Company estimates and provides for liability for product warranties in the year in which the products are sold. These estimates are established using historical information on the nature, frequency, quantum of warranty claims and corrective actions against product failures and the estimates are reviewed annually for any material changes in assumptions. The cost of warranty is net of realisable scrap value and includes the applicable taxes and duties like excise duty and also the best estimate of relevant freight expenses. The timing of outflows will vary based on the actual warranty claims.

ii) Useful lives of Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by Management at the time the asset is acquired and is reviewed at the end of each reporting period. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. This reassessment may result in change in depreciation expense in future periods.

iii) Fair value measurement of financial instruments

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent available. Where Level 1 inputs are not available, the fair value is measured using valuation techniques, including the discounted cash flow model, which involves various judgments and assumptions. The Company also engages third party qualified valuers to perform the valuation in certain cases. The appropriateness of valuation techniques and inputs to the valuation model are reviewed by the Management.

iv) Income Taxes

The Company's tax jurisdiction is India. Significant judgments are involved in estimating budgeted profits for the purpose of paying advance tax, determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions.

v) Actuarial Valuation

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income. Such valuation depend upon assumptions determined after taking into account inflation, seniority, promotion and other relevant factors. Information about such valuation is provided in the notes to the financial statements.

vi) Other estimates

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

E. Inventories

Inventories are stated at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The method of determination of cost of various categories of inventories is as follows:

(i) Raw materials and bought-out components, stores and spares and loose tools: Weighted average cost. Cost includes purchase cost and other attributable expenses.

(ii) Finished Goods and Work-in-progress: Weighted average cost of production which comprises direct material cost, direct wages and appropriate overheads based on normal level of activity. Excise duty, as applicable, is included in the value of finished goods.

(iii) Stock-in-trade: Weighted average cost.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

F. Property, plant and equipment

(i) Recognition and measurement:

Property, plant and equipment are measured at cost less accumulated depreciation/ amortization and impairment losses, if any. Cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at April 1, 2015 measured as per the previous Accounting Standards notified under Section 133 of the Act, read together with Rule 7 of the Companies (Accounts) Rules, 2014, which the Company elected in accordance with Ind AS 101.

Cost comprises the purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure in making the asset ready for its intended use. Machinery spares which can be used only in connection with an item of property, plant and equipment and whose use is expected to be irregular are capitalised and depreciated over the useful life of the spares or the principal item of the relevant assets, whichever is lower.

Capital work in progress are items of property, plant and equipment which are not yet ready for their intended use and are carried at cost, comprising direct cost and related incidental expenses.

(ii) Depreciation:

Depreciation on property, plant and equipment has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Act except in respect of the following category of assets, in which case the life of the assets has been assessed based on technical advice taking into account the nature of the asset, the estimated usage of the asset, the operating condition of the asset, past history of replacement, maintenance support, etc., Land is not depreciated.

Asset	Useful lives (in years)
Plant and machinery (including electrical installations and moulds)	1-10

Property, plant and equipment's residual values and useful lives are reviewed at each Balance Sheet date and changes, if any, are treated as changes in accounting estimate.

Assets costing ₹5,000 and below are fully depreciated in the year of acquisition.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease. Leasehold improvements are amortized over the lower of estimated useful life and lease term.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss when the asset is de-recognised.

G. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective estimated useful lives on straight-line basis, from the date that they are available for use.

H. Impairment of assets

Impairment loss, if any, is provided to the extent, the carrying amount of assets or cash generating units exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash generating unit and from its disposal at the end of its useful life.

Impairment loss recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of amortization or depreciation) had no impairment loss been recognised in previous years.

I. Foreign currency transactions and translations

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of each reporting period are translated at the exchange rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using exchange rates at the date when fair value is measured. Exchange differences arising on actual payment/ realization and translations referred to above are recognised in the Statement of Profit and Loss.

J. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and the Company will comply with the conditions attached to the grant. Government grants related to revenue are recognised on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. When the grant relates to an asset, it is recognised as deferred revenue in the Balance Sheet and transferred to the Statement of Profit and Loss on a systematic and rational basis over the useful lives of related assets.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

K. Employee benefits

(i) Defined contribution plans

The Company's contributions to Provident Fund (Government administered), Employees' State Insurance Scheme and Superannuation Fund (under a scheme of Life Insurance Corporation of India), considered as defined contribution plans are charged as an expense in the Statement of Profit and Loss when the employees have rendered services entitling them to the contributions.

(ii) Defined benefit plans

For defined benefit plans in the form of gratuity fund, administered under a scheme of the Life Insurance Corporation of India, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The defined benefit obligations recognized in the Balance Sheet represents the present value of the defined obligations as reduced by the fair value of plan assets, if applicable. Re-measurement, comprising actuarial gains and losses and the return on plan assets (excluding net interest), is reflected immediately in the Balance Sheet with a charge or credit recognised in other comprehensive income in the period in which they occur and are not re-classified to the Statement of Profit and Loss in the subsequent periods. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

All expenses represented by current service cost, past service cost, if any, and net interest on the defined benefit liability (asset) are recognized in the Statement of Profit and Loss.

(iii) Short term and other long term employee benefits

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilised accumulating compensated absences and utilise it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognises accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognised in the period in which the absences occur. The Company recognises actuarial gains and losses immediately in the Statement of Profit and Loss.

L. Revenue recognition

Revenue is recognized when it is probable that economic benefits associated with a transaction flows to the Company in the ordinary course of its activities and the amount of revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable, net of returns, trade discounts, incentives, rebates and other similar allowances.

Revenue includes only the gross inflows of economic benefits, including excise duty received and receivable by the Company, on its own account. Amounts collected on behalf of third parties such as sales tax, value added tax and goods and services tax are excluded from revenue.

(a) Sale of goods:

Revenue from sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the customer, which is mainly upon delivery, while the Company retains neither continuing managerial involvement nor effective control over goods sold.

(b) Rendering of services:

Revenue from installation, commissioning and maintenance services is recognised based on the agreements with the customers and when services are rendered with reference to the stage of completion which can be measured reliably.

(c) Other Income:

Interest income is recognised using effective interest method. Royalty income is recognised on accrual basis in accordance with the terms of the agreement. Dividend income is accounted for in the year when the right to receive such dividend is established and the amount of dividend can be measured reliably.

M. Financial instruments, Financial assets, Financial liabilities

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 and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value on initial recognition of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial asset or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on the trade date i.e. the date when the Company commits to purchase or sell the asset.

The classification of financial instruments depends on the objective of the Company's business model for which it is held and on the substance of the contractual terms / arrangements. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets

Recognition: Financial assets include Investments, Trade receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Financial assets are classified as those measured at

(a) amortised cost, where the financial assets are held within a business model solely for collection of cash flows arising from payments of principal and/ or interest as per contractual terms. Such assets are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

FVTPL is a residual category for financial assets. Any financial asset which does not meet the criteria for categorization as at amortised cost or as FVTOCI, is classified as FVTPL.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election on an instrument by instrument basis at initial recognition may be made to present subsequent changes in fair value through other comprehensive income. This election is not permitted if the equity instrument is held for trading.

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

As a practical expedient, the Company uses a provision matrix to determine impairment loss 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 historically observed default rates are updated and changes in forward-looking estimates are analysed.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognised when the right to receive cash flows from the assets has expired, or has been transferred, and the Company has transferred substantially all of the risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously recognized in other comprehensive income and accumulated in the "equity instruments through other comprehensive income" will not be reclassified to profit or loss on disposal of the investments.

(ii) Financial liabilities

Borrowings, trade payables and other financial liabilities are initially recognised at the value of the respective contractual obligations. They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry. The difference between the carrying amount of the financial liabilities de-recognised and the consideration paid and payable is recognised in the Statement of Profit and Loss.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

N. Leases

Finance lease

Assets taken on lease by the Company in its capacity as lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and a liability is recognised for an equivalent amount.

Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in the Statement of Profit and Loss, unless the lease agreement explicitly states that increase is on account of inflation.

O. Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in the Statement of Profit and Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current Tax

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities based on the taxable profit for the year. Taxable profit differs from “Profit before tax” as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible under the Income Tax Act, 1961. The tax rates and tax laws used to compute the current tax amount are those that are enacted by the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of such deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the corresponding current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

P. Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle such obligation and a reliable estimate can be made of the amount of such obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be recovered and the amount of the receivable can be measured reliably.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources embodying economic benefits or the amount of such obligation cannot be measured reliably. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources embodying economic benefits is remote, no provision or disclosure is made.

Q. Research and development expenses

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Property, plant and equipment utilised for research and development are capitalised and depreciated in accordance with the policies stated for property, plant and equipment.

R. Earnings per share

Basic earnings per share is computed by dividing profit or loss attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

S. Cash and cash equivalents

Cash and cash equivalents for purposes of cash flow statement include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand, book overdraft and are considered part of the Company's cash management system.

T. Recent accounting pronouncements

Standards issued but not yet effective

In March 2018, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying Ind AS 115, *Revenue from Contract with Customers,* Appendix B to Ind AS 21, *Foreign currency transactions and advance consideration* and amendments to certain other standards. These amendments are applicable to the Company from April 1, 2018. The Company will be adopting the amendments from their effective date.

i) Ind AS 115, Revenue from contract with customers:

Ind AS 115 supersedes Ind AS 11, *Construction contracts* and Ind AS 18, *Revenue*. Ind AS 115 requires an entity

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

to report information regarding nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The principle of Ind AS 115 is that an entity should recognise revenue that demonstrates the transfer of promised goods and services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company is currently evaluating the possible impact of Ind AS 115 on the financial statements.

ii) Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

The Appendix clarified that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration towards such assets, expenses or income. If there are multiple payments or receipts in advance, then an entity must determine transaction date for each payment or receipts of advance consideration.

The impact of the Appendix on the financial statements is being evaluated by the Company.

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

	As at March 31, 2018	As at March 31, 2017
Carrying amounts of:		
Land		
- Freehold	1.24	1.24
- Leasehold	65.73	66.41
Leasehold improvements	35.30	40.02
Buildings	529.03	441.39
Plant and Equipment (including electrical installations)	1,010.04	880.05
Furniture and fixtures	11.00	11.29
Vehicles	10.10	7.17
Office equipment	26.62	28.85
Computer	9.13	10.60
	1,698.19	**1,487.02**
Capital work-in-progress	**226.38**	**240.25**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 3: Property, plant and equipment and capital work in progress (contd.)

	Freehold land	Leasehold land	Leasehold improvements	Buildings	Plant and Equipment (including electrical installations)	Furniture and fixtures	Vehicles	Office equipment	Computers	Total
(A) Cost or deemed cost										
Balance at March 31, 2016	**1.24**	**52.30**	**12.48**	**424.64**	**935.78**	**8.49**	**15.46**	**22.51**	**8.09**	**1,480.99**
Additions	-	15.23	33.44	50.70	208.26	5.09	2.52	15.51	8.69	339.44
Disposals/adjustments	-	-	-	(0.27)	(2.72)	(0.08)	(8.75)	(0.85)	(0.20)	(12.87)
Balance at March 31, 2017	**1.24**	**67.53**	**45.92**	**475.07**	**1,141.32**	**13.50**	**9.23**	**37.17**	**16.58**	**1,807.56**
Additions	-	-	3.84	110.82	312.63	1.50	5.31	5.49	3.68	443.27
Disposals/adjustments	-	-	-	-	(6.00)	(0.05)	(1.39)	(0.10)	(0.07)	(7.61)
Balance at March 31, 2018	**1.24**	**67.53**	**49.76**	**585.89**	**1,447.95**	**14.95**	**13.15**	**42.56**	**20.19**	**2,243.22**
(B) Accumulated depreciation and impairment										
Balance at March 31, 2016	**-**	**0.52**	**1.95**	**14.14**	**107.92**	**0.99**	**1.57**	**3.25**	**2.70**	**133.04**
Eliminated on disposal/adjustment of assets	-	-	-	(0.01)	(0.86)	(0.01)	(1.27)	(0.26)	(0.11)	(2.52)
Depreciation expense	-	0.60	3.95	19.55	154.21	1.23	1.76	5.33	3.39	190.02
Balance at March 31, 2017	**-**	**1.12**	**5.90**	**33.68**	**261.27**	**2.21**	**2.06**	**8.32**	**5.98**	**320.54**
Eliminated on disposal of assets	-	-	-	-	(4.05)	-	(0.53)	(0.01)	-	(4.59)
Depreciation expense	-	0.68	8.56	23.18	180.69	1.74	1.52	7.63	5.08	229.08
Balance at March 31, 2018	**-**	**1.80**	**14.46**	**56.86**	**437.91**	**3.95**	**3.05**	**15.94**	**11.06**	**545.03**
(C) Carrying amount										
Balance at March 31, 2017	**1.24**	**66.41**	**40.02**	**441.39**	**880.05**	**11.29**	**7.17**	**28.85**	**10.60**	**1,487.02**
Balance at March 31, 2018	**1.24**	**65.73**	**35.30**	**529.03**	**1,010.04**	**11.00**	**10.10**	**26.62**	**9.13**	**1,698.19**

Notes:

1. The amount of expenditure recognised in the carrying amount of property, plant and equipment in the course of construction is ₹8.79 crores (March 31, 2017: ₹0.68 crores) [Refer Note 37]
2. In respect of freehold land refer Note 33.

Notes to the financial statements
All amounts are in ₹ crores, except share data and where otherwise stated

Note 4: Other intangible assets

	As at March 31, 2018	As at March 31, 2017
Carrying amounts of:		
Software	5.06	5.12
	5.06	**5.12**

Particulars	**Software**	**Total**
(A) Cost or deemed cost		
Balance at March 31, 2016	**5.40**	**5.40**
Additions	2.60	2.60
Disposals/adjustments	-	-
Balance at March 31, 2017	**8.00**	**8.00**
Additions	1.72	1.72
Disposals/adjustments	-	-
Balance at March 31, 2018	**9.72**	**9.72**
(B) Accumulated amortisation and impairment		
Balance at March 31, 2016	**1.34**	**1.34**
Amortisation expense	1.54	1.54
Balance at March 31, 2017	**2.88**	**2.88**
Amortisation expense	1.78	1.78
Balance at March 31, 2018	**4.66**	**4.66**
(C) Carrying amount		
Balance at March 31, 2017	**5.12**	**5.12**
Balance at March 31, 2018	**5.06**	**5.06**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 5: Investments

	As at March 31, 2018	As at March 31, 2017
Non-current		
(I) Investments in equity instruments at FVTOCI		
Quoted investments (fully paid)		
(i) Standard Batteries Limited 125 (March 31, 2017: 125) equity shares of ₹1 each*	0.00	0.00
(ii) Nicco Corporation Limited 25 (March 31, 2017: 25) equity shares of ₹2 each*	0.00	0.00
(iii) Exide Industries Limited 10,000 (March 31, 2017: 10,000) equity shares of ₹1 each	0.22	0.22
(iv) HBL Power Systems Limited 5,500 (March 31, 2017: 5,500) equity shares of ₹1 each	0.02	0.02
Total aggregate quoted investments [A]	**0.24**	**0.24**
Unquoted investments (fully paid)		
(i) Indian Lead Limited 1,128 (March 31, 2017: 1,128) equity shares of ₹10 each*	-	-
(ii) Atria Wind Private Limited 10,000 (March 31, 2017: Nil) equity shares of ₹100 each	0.10	-
(iii) Andhra Pradesh Gas Power Corporation Limited 1,206,000 (March 31, 2017: 1,206,000) equity shares of ₹10 each	19.46	18.63
Total aggregate Unquoted investments [B]	**19.56**	**18.63**
Total investments in equity instruments at FVTOCI [C = A+B]	**19.80**	**18.87**
(II) Investments carried at amortised cost		
6 years National Savings Certificates (Refer Note below) **[D]**	0.01	0.01
Total Non-current investments E=[C+D]	**19.81**	**18.88**
Note: The 6 years National Savings Certificates have been lodged as security with government departments		
Aggregate book value of quoted investments - at cost	0.01	0.01
Aggregate market value of quoted investments	0.24	0.24
Aggregate carrying value of unquoted investments	19.56	18.63
Current		
Investments mandatorily measured at fair value through profit or loss (FVTPL)		
Quoted investments in mutual funds		
SBI Premier Liquid Fund - Direct Plan - Growth 1,084.43 units of ₹2,724.39 each (March 31, 2017 : 97,977.34 units of ₹2,552.32 each)	0.30	25.01
HDFC Liquid Fund - Direct Plan - Growth Option 9,368.37 units of ₹3,423.88 each (March 31, 2017 : 164,418.82 units of ₹3,208.92 each)	3.21	52.76
ICICI Prudential Liquid - Direct Plan - Growth 146,692.45 units of ₹257.14 each (March 31, 2017 : 1,038,874.26 units of ₹240.72 each)	3.77	25.00
UTI - Liquid Cash Plan - Institutional - Direct Plan - Growth 20,480.95 units of ₹2,845.10 each (March 31, 2017 : Nil)	5.83	-
Kotak Liquid - Direct Plan Growth 6,298.39 units of ₹3,521.95 each (March 31, 2017 : 75,837.10 units of ₹3,297.48 each)	2.22	25.01
Total Quoted investments measured at FVTPL	**15.33**	**127.78**
Total Current investments	**15.33**	**127.78**
Aggregate book value of quoted investments - at cost	15.14	127.66
Aggregate market value of quoted investments	15.33	127.78

*Amounts below ₹ lakh

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 6: Other financial assets

	As at March 31, 2018	As at March 31, 2017
Non-current		
Security deposits*	5.27	5.90
Total	**5.27**	**5.90**
*Includes to related parties ₹2.36 crores (As at March 31, 2017: ₹2.36 crores)		
Current		
(a) Advances to related parties:		
- Security deposits	-	-
- Reimbursable expenses	2.50	2.10
(b) Security deposits	2.78	1.17
(c) Interest accruals:		
- Interest accrued on deposits	3.72	4.23
- Interest accrued on overdue trade receivables	0.15	0.01
Total	**9.15**	**7.51**

Note 7: Inventories

(at lower of cost and net realisable value)

(a) Raw materials and bought-out components	411.08	205.99
(b) Work-in-progress	211.51	215.46
(c) Finished goods	327.69	317.62
(d) Stock-in-trade (goods purchased for resale)	38.42	17.37
(e) Stores and spares (including secondary packing material)	60.50	59.90
(f) Loose tools	0.51	0.61
Total	**1,049.71**	**816.95**
Raw materials includes material-in-transit	138.33	**49.89**

Notes:

(i) The cost of inventories recognised as an expense during the year has been disclosed on the face of the Statement of Profit and Loss, Notes 23 and 27.

(ii) The cost of inventories recognised as an expense includes ₹0.24 crores (during 2016-17: ₹0.87 crores) in respect of write-downs of inventory to net realisable value, and has been reduced by ₹ Nil (during 2016-17 : ₹ Nil) in respect of reversal of such write-downs.

(iii) There are no inventories expected to be liquidated after more than twelve months.

(iv) The mode of valuation of inventories has been stated in Note 2.E

Note 8: Trade receivables

(a) Secured, considered good	-	-
(b) Unsecured, considered good	782.45	570.49
(c) Doubtful	4.52	3.99
	786.97	**574.48**
Allowance for doubtful receivables	(4.52)	(3.99)
Total	**782.45**	**570.49**

Notes:

(i) The average credit period for after market sales is one week and for sales to other customers is in the range of 30 - 60 days. No interest is charged on overdue receivables, except for overdue balances of related parties.

(ii) There are no customers who represent more than 10% of the total balance of trade receivables (as at March 31, 2017 : ₹99.72 crores).

(iii) The Company has used a practical expedient by computing the expected credit loss allowance for doubtful trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking estimates. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates used in the provision matrix.

Notes to the financial statements
All amounts are in ₹ crores, except share data and where otherwise stated

Note 8: Trade receivables (contd.)

(iv) **Movement in the expected credit loss allowance:**

	Year ended March 31, 2018	Year ended March 31, 2017
Balance at the beginning of the year	**3.99**	**2.89**
Movement in expected credit loss allowance on trade receivables	0.53	1.10
Balance at the end of the year	**4.52**	**3.99**

Note 9: Cash and cash equivalents

	As at March 31, 2018	As at March 31, 2017
(a) Balances with banks		
- in current accounts	29.71	81.68
- in EEFC accounts	12.71	8.78
(b) Cash on hand	0.10	0.11
(c) Cheques on hand	6.21	10.17
Cash and cash equivalents as per the cash flow statement	**48.73**	**100.74**

Note 10: Other bank balances

(a) In deposit accounts	54.19	61.00
(i) original maturity more than 3 months		
(b) In earmarked accounts		
(i) Dividend accounts	3.04	3.10
(ii) Balances held as margin money against guarantees given [Refer Note below]	5.32	6.08
Total	**62.55**	**70.18**

Note: Includes deposit aggregating ₹5.31 crores (March 31, 2017: ₹ Nil) with remaining maturity of more than 12 months from the Balance Sheet date.

Note 11: Other assets

Non-current		
(a) Capital advances	5.59	13.34
(b) Capital advances to related parties	1.83	11.56
(c) Prepaid expenses	0.93	1.70
(d) Balances with government authorities	9.20	7.63
(e) Other deposits (Electricity deposits, for other utilities, etc.)	25.41	23.67
Total	**42.96**	**57.90**
Current		
(a) Contractually reimbursable expenses	21.98	11.13
(b) Commercial advances	21.97	11.20
(c) Advances to employees	0.32	0.29
(d) Balances with government authorities (advances, GST credit, CENVAT credit, VAT credit and Service tax credit receivable)	107.01	19.66
(e) Prepaid expenses	8.12	4.56
(f) Other receivables (export incentives, etc.)	24.98	18.13
Total	**184.38**	**64.97**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 12: Share capital

	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
(a) Authorised				
Equity shares of ₹1 each	200,000,000	20.00	200,000,000	20.00
(b) Issued				
Equity shares of ₹1 each	175,028,500	17.50	175,028,500	17.50
(c) Subscribed and fully paid-up				
Equity shares of ₹1 each	170,812,500	17.08	170,812,500	17.08
	170,812,500	**17.08**	**170,812,500**	**17.08**

Notes:

i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year:

Equity shares	Number of shares	Share capital (Amount)
Balance at March 31, 2016	**170,812,500**	**17.08**
Changes during year	-	-
Balance at March 31, 2017	**170,812,500**	**17.08**
Changes during year	-	-
Balance at March 31, 2018	**170,812,500**	**17.08**

ii) Rights, preferences and restrictions attached to the equity shares:

The Company has only one class of shares referred to as equity shares having a face value of ₹1 each. Each holder of equity share is eligible for one vote per share held. The Company declares and pays dividends in Indian rupees and foreign currency. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the holders of equity shares will be entitled to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

iii) Details of equity shares held by each shareholder holding more than 5% of the equity shares:

	As at March 31, 2018		As at March 31, 2017	
	Number of shares	%	Number of shares	%
RN Galla Family Private Limited	41,400,702	24.24	-	-
RN Galla Family & Co.	-	-	40,231,308	23.55
Jayadev Galla	-	-	376,150	0.22
Johnson Controls (Mauritius) Private Limited	44,411,250	26.00	44,411,250	26.00

Note 13: Other equity

	As at March 31, 2018	As at March 31, 2017
(a) General reserve	403.48	356.35
This reserve is created by an appropriation from one component of equity (generally retained earnings) to another, not being an item of Other Comprehensive Income. The same can be utilised by the Company in accordance with the provisions of the Companies Act, 2013.		
(b) Capital reserve*	0.00	0.00
Any profit or loss on purchase, sale, issue or cancellation of the company's own equity instruments is transferred to capital reserve.		
(c) Securities premium account	31.19	31.19
This reserve represents the premium on issue of shares and can be utilised in accordance with the provisions of the Companies Act, 2013		
(d) Equity instruments through other comprehensive income	10.47	9.64
Change in fair value of equity instruments through other comprehensive income.		
(e) Retained earnings	2,475.17	2,178.81
Retained earnings represents the cumulative undistributed profits of the Company and can be utilised in accordance with the provisions of the Companies Act, 2013.		
Total	**2,920.31**	**2,575.99**

*Amounts below ₹ lakh

All amounts are in ₹ crores, except share data and where otherwise stated

Note 14: Non-current borrowings

	As at March 31, 2018	As at March 31, 2017
Unsecured - at amortised cost		
Deferred Payment Liabilities		
Sales tax deferment loans [Refer Note below]	63.53	72.47
Less: Current maturities of sales tax deferment loans disclosed under Note 18 - Other financial liabilities - Current	5.10	3.46
Total	**58.43**	**69.01**

Note:
The interest free sales tax deferment loans were availed by the Company under the Government of Andhra Pradesh TARGET 2000 New Industrial Policy as per which the loans are repayable at the end of the 14th year from the year in which these loans were availed. The Company has also entered into agreements with the Deputy Commissioner of Commercial Taxes, Chittoor in respect of the aforementioned loans as per which the repayment schedule of the loans have been determined as being repayable at the end of the 14th year from the month in which these loans were availed. The Management is however of the view that these loans are repayable at the end of the 14th year from the year in which these loans were availed in terms of the sanction of these loans by the Government of Andhra Pradesh, Commissionerate of Industries and are accordingly making an yearly repayment of these loans.

Note 15: Provisions

A. Non-current		
Employee benefits		
- Leave encashment	11.42	10.00
- Gratuity [Refer Note 31]	-	-
Other provisions		
- Product warranty [Refer Note below and Note 40]	33.73	30.42
Total Non-current provisions	**45.15**	**40.42**
B. Current		
Employee Benefits		
- Leave encashment	2.60	2.12
- Gratuity [Refer Note 31]	1.19	0.47
Other provisions		
- Product warranty [Refer Note below and Note 40]	52.17	51.07
Total Current provisions	**55.96**	**53.66**

Note:
The provision for warranty claims represents the present value of the Management's best estimate of the future outflow of economic benefits that will be required under the Company's obligation for warranties. The estimation has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

Note 16: Deferred tax liabilities (net)

The following is the analysis of deferred tax assets/(liabilities) presented in the Balance Sheet:

Deferred tax assets	13.81	13.47
Deferred tax liabilities	(101.62)	(94.98)
Total	**(87.81)**	**(81.51)**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 16: Deferred tax liabilities (net) (Contd.)

2017-18	Opening balance	Recognised in Profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax (liabilities)/assets in relation to:				
Property, plant and equipment	(94.98)	(6.64)	-	(101.62)
Financial assets measured at FVTOCI	5.32	-	-	5.32
Provision for doubtful debts	1.38	0.20	-	1.58
Provision for employee benefits	5.92	(0.61)	-	5.31
Unwinding of warranty provision	-	-	-	-
Others	0.85	0.75	-	1.60
	(81.51)	**(6.30)**	**-**	**(87.81)**

2016-17	Opening balance	Recognised in Profit and loss	Recognised in other comprehensive income	Closing balance
Deferred tax (liabilities)/assets in relation to:				
Property, plant and equipment	(64.75)	(30.23)	-	(94.98)
Financial assets measured at FVTOCI	5.00	-	0.32	5.32
Provision for doubtful debts	1.00	0.38	-	1.38
Provision for employee benefits	4.94	0.98	-	5.92
Unwinding of warranty provision	0.06	(0.06)	-	-
Others	-	0.85	-	0.85
	(53.75)	**(28.08)**	**0.32**	**(81.51)**

Note 17: Trade payables

	As at March 31, 2018	As at March 31, 2017
Trade payables [Refer Note 30]	592.26	418.44
Total	**592.26**	**418.44**

Note 18: Other financial liabilities

Current		
- Current maturities of Non-current borrowings [Refer Note 14]	5.10	3.46
- Unpaid dividends	3.04	3.10
Other payables		
- Payables on purchase of property, plant and equipment	72.95	59.82
- Others (employee related, others) [Refer Note below]	87.35	80.25
Total	**168.44**	**146.63**

Note:

Other liabilities include employees related payables (including payable to Vice-Chairman and Managing Director), commission payable to Non-Executive Chairman and Other Directors, outstanding liabilities for incentives and trade schemes, etc.

Note 19: Income tax assets (net)

Non-current		
Advance tax/ TDS receivable	18.58	10.88
Total	**18.58**	**10.88**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 20: Other liabilities

	As at March 31, 2018	As at March 31, 2017
Non-current		
Revenue received in advance		
- Deferred revenue arising from government grant [Refer Note below]	46.79	40.94
Total Non-current	**46.79**	**40.94**
Current		
(a) Revenue received in advance		
- Deferred revenue arising from government grant [Refer Note below]	8.23	6.14
(b) Statutory remittances (GST, Excise duty, PF, VAT, TDS, etc.)	76.85	48.62
(c) Advances from customers	9.29	19.51
(d) Others (includes accruals relating to trade promotion schemes)	81.95	66.62
Total Current	**176.32**	**140.89**

Note:

The deferred revenue of ₹55.02 crores (March 31, 2017: ₹47.08 crores) arises primarily as a result of duty benefit received on import of plant and equipment under Export Promotion Capital Goods (EPCG) schemes of the Government of India. The deferred revenue will be recognised in the Statement of Profit and Loss in the proportion of depreciation charged on such assets.

Note 21: Revenue from operations

	For the year ended March 31, 2018	For the year ended March 31, 2017
a. Sale of products [Including excise duty of ₹182.11 crores for the year ended March 31, 2018 (March 31, 2017: ₹646.19 crores)] (Refer Note (i) and (v) below)	6,169.94	5,920.61
b. Sale of services (Refer Note (ii) below)	44.81	45.88
c. Other operating revenues (Refer Note (iii) below)	18.23	14.90
Total	**6,232.98**	**5,981.39**
Notes:		
(i) Sale of products comprises:		
Manufactured goods		
- Storage batteries	5,965.13	5,729.65
Sub-total - Sale of manufactured goods	**5,965.13**	**5,729.65**
Traded goods		
- Storage batteries	123.92	162.01
- Home UPS	80.89	28.95
Sub-total - Sale of traded goods	**204.81**	190.96
Total - Sale of products	**6,169.94**	**5,920.61**
(ii) Sale of services comprise:		
- Installation and Commissioning	11.68	9.54
- Annual Maintenance	1.19	0.94
- Others (subject and other matters experts, service charges, etc.)	31.94	35.40
Total - Sale of services	**44.81**	**45.88**
(iii) Other operating revenues comprise:		
- Sale of process scrap	1.77	1.41
- Export benefits (including MEIS & EPCG benefits) [Refer Note (iv) below]	16.46	13.49
Total - Other operating revenues	**18.23**	**14.90**

(iv) includes ₹7.30 crores (for the year ended March 31, 2017 : ₹5.63 crores) recognised as income in proportion to the depreciation charged to the Statement of Profit and Loss. [Refer Note 20]

(v) Consequent to the introduction of Goods and Services Tax (GST) with effect from July 1, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT, etc. are not part of Revenue. Accordingly, revenue from operations for the period beginning July 1, 2017 to March 31, 2018 is presented net of GST. Revenue from operations of earlier periods included Excise duty which now is subsumed in GST.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 22: Other income

	For the year ended March 31, 2018	For the year ended March 31, 2017
a) Interest income		
Interest income earned on financial assets that are not designated as at FVTPL		
- Bank deposits (at amortised cost)	5.60	6.03
- Other financial assets carried at amortised cost	1.09	1.08
- Unwinding of discounts on rental deposits	0.25	0.23
	6.94	**7.34**
b) Dividend income		
Dividend from equity investments designated as at FVTOCI	0.00*	0.01
	0.00*	**0.01**
*Amount below ₹ Lakh		
c) Other non-operating income		
(i) Interest income on other deposits	0.44	1.45
(ii) Sale of non process scrap	4.28	2.73
(iii) Liabilities no longer required written back	4.62	2.99
(iv) Provision for doubtful trade receivables written back	2.51	1.30
(v) Others	7.78	4.14
	19.63	**12.61**
d) Other gains and losses		
(i) Gain on disposal of mutual funds	14.84	15.15
(ii) Net foreign exchange gains	24.77	14.01
(iii) Net gain arising on financial assets mandatorily measured at FVTPL [Refer Note below]	0.19	0.12
	39.80	29.28
Total (a+b+c+d)	**66.37**	**49.24**

Note:

The amount represents the increase in fair value on non-derivative current investments which are mandatorily measured at fair value [Refer Note 5]

Note 23: Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2018		For the year ended March 31, 2017	
Inventories at the beginning of the year				
Finished goods - storage batteries		317.62		220.42
Work-in-progress		215.46		150.70
Stock-in-trade				
- Storage batteries	4.04		8.23	
- Home UPS	13.33		-	
		17.37		8.23
[A]		**550.45**		**379.35**
Inventories at the end of the year				
Finished goods - storage batteries		327.69		317.62
Work-in-progress		211.51		215.46
Stock-in-trade				
- Storage batteries	19.00		4.04	
- Home UPS	19.42		13.33	
		38.42		17.37
[B]		**577.62**		**550.45**
Increase in finished goods, work-in-progress and stock-in-trade [A-B]		**(27.17)**		**(171.10)**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 24: Employee benefits expense

	For the year ended March 31, 2018	For the year ended March 31, 2017
(a) Salaries and wages	250.15	230.51
(b) Contribution to provident and other funds [Refer Note 31]	25.56	14.62
(c) Staff welfare expenses	33.28	32.62
Total	**308.99**	**277.75**

Note 25: Finance costs

(a) Interest costs:		
(i) Interest on working capital facilities	0.11	0.04
(b) Other borrowing costs:		
(i) Unwinding of discounts on warranty provision	4.36	5.47
(ii) Others	0.59	0.26
Total	**5.06**	**5.77**

Note 26: Depreciation and amortisation expense

Depreciation of property, plant and equipment [Refer Note 3]	229.08	190.02
Amortisation of intangible assets [Refer Note 4]	1.78	1.54
Less: Depreciation capitalised to property, plant and equipment/ capital work-in-progress	0.52	0.39
Total	**230.34**	**191.17**

Note 27: Other expenses

Consumption of stores and spares (including packing material)		72.99		72.57
Tools consumed		0.92		0.88
Power and fuel		180.91		161.55
Rent		17.66		16.54
Repairs and maintenance				
- Plant and machinery		5.24		4.70
- Buildings		3.96		2.85
- Others		2.42		3.33
Insurance		7.94		6.96
Rates and taxes		6.30		4.29
Communication		2.58		2.78
Travelling and conveyance		16.78		18.93
Outward freight and handling charges		166.06		151.73
Advertisement and sales promotion		27.89		24.35
Expenditure on Corporate Social Responsibility		14.28		16.00
Legal and professional		5.39		5.69
Payment to auditors [Refer Note below]		0.98		0.81
Bad trade receivables written off	0.38		1.33	
Less : Provision released	0.05		0.66	
		0.33		0.67

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 27: Other expenses (contd.)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Provision for doubtful trade receivables	3.09	3.03
Loss on sale of property, plant and equipment (net) / written off	1.73	2.65
Warranty expenses (net)	80.29	75.13
Service expenses	31.94	32.85
Printing and stationery	1.51	1.93
Miscellaneous expenses	99.49	90.78
Total	**750.68**	**701.00**

Note:
Payment to auditors comprise (net of GST/Service Tax)

(a) To statutory auditors		
- Statutory audit fee	0.70	0.50
- Limited review fee	0.15	0.15
- Tax audit fee	0.05	0.05
- Reimbursement of expenses	0.04	0.07
(b) To cost auditor for cost audit	0.04	0.04
	0.98	**0.81**

Note 28: Income tax recognised in profit or loss

Current Tax		
In respect of the current year	237.60	207.15
In respect of the prior years	(1.02)	(11.51)
	236.58	**195.64**
Deferred Tax		
In respect of the current year	5.40	24.57
Adjustments to deferred tax attributable to changes in tax rates and laws	0.90	3.51
	6.30	**28.08**
Total income tax expense recognised	**242.88**	**223.72**
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	**714.20**	**702.21**
Income tax expense calculated at 34.608% (2016-17: 34.608%)	247.17	243.02
Effect of income that is exempt from taxation	(0.06)	(0.01)
Tax effects of amounts which are not deductible in determining taxable profit	2.29	5.47
Effect of concessions (research and development and other allowances)	(6.41)	(16.65)
Others	-	(0.11)
	242.99	**231.72**
Adjustment recognised in the current year in relation to tax of prior years (net)	(0.11)	(8.00)
Income tax expense recognised in profit or loss	**242.88**	**223.72**

The tax rate used for the reconciliations above is the corporate tax rate of 34.608% payable by corporate entities in India on taxable profits under the Indian tax law.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 29: Contingent liabilities and commitments

	As at March 31, 2018	As at March 31, 2017
(i) Contingent Liabilities (to the extent not provided for) :		
Claims against the Company not acknowledged as debt		
Matters under dispute:		
- Excise duty / Service tax	1.10	1.10
- Sales tax/VAT	24.24	13.29
- Income tax	0.33	0.33
- Electricity related	78.17	72.42
- Other	-	5.67
It is not practicable for the Company to estimate the closure of these issues and the consequential timings of cash flows, if any, in respect of the above.		
(ii) Commitments:		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	111.19	238.30
(b) The Company has certain outstanding export obligations/ commitments which the Management is confident of meeting within the stipulated period of time / obtaining suitable extensions, wherever required.		

Note 30: Based on and to the extent of information available with the Company under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars as at reporting date are furnished below:

(i) Principal amount due to suppliers under MSMED Act, as at the end of the year	10.28	7.47
(ii) Interest accrued and due to suppliers under MSMED Act on the above amount as at the end of the year	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) + (vi)	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 31: Employee benefits

a. Defined contribution plans

The Company makes Provident Fund, Superannuation Fund and Employees' State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. The Company recognised ₹5.76 crores (Year ended March 31, 2017: ₹4.30 crores) for provident fund contributions, ₹7.66 crores (Year ended March 31, 2017: ₹5.18 crores) for Superannuation Fund contributions and ₹4.55 crores (Year ended March 31, 2017: ₹3.69 crores) towards Employees' State Insurance Scheme contributions in the Statement of Profit and Loss.

b. Defined benefit plans

The Company provides to the eligible employees defined benefit plans in the form of gratuity. The gratuity plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service. Vesting occurs upon completion of five continuous years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

These plans typically expose the Company to acturial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 31: Employee benefits (contd.)

Risk Management

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

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.

Longetivity risk - The present value of defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk - The present value of the defined benefit plan is calculated with reference to the future salaries of participants under the plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

(i) Balance Sheet

The assets, liabilities and surplus / (deficit) position of the defined benefit plans at the Balance Sheet date were:

	As at March 31, 2018	As at March 31, 2017
Present value of obligation	19.65	12.71
Fair value of plan assets	(18.46)	(12.24)
(Asset)/Liability recognised in the Balance Sheet	**1.19**	**0.47**

(ii) Movements in Present Value of Obligation and Fair Value of Plan Assets

	Plan Assets	Plan Obligation	Total Net
As at March 31, 2016	**8.99**	**8.91**	**(0.08)**
Current service cost	-	1.01	1.01
Interest cost	-	0.71	0.71
Interest income	0.72	-	(0.72)
Actuarial (gain)/loss arising from changes in demographic assumptions	-	0.40	0.40
Actuarial (gain)/loss arising from changes in financial assumptions	-	0.60	0.60
Actuarial (gain)/loss arising from experience adjustments	-	1.06	1.06
Contributions	2.46	-	(2.46)
Benefit payments	(0.15)	(0.15)	-
Return on plan assets, excluding interest income	0.05	-	(0.05)
Transfer from Group Companies	0.17	0.17	-
As at March 31, 2017	**12.24**	**12.71**	**0.47**
Current service cost	-	1.44	1.44
Past service cost	-	5.70	5.70
Interest cost	-	0.92	0.92
Interest income	0.89	-	(0.89)
Actuarial (gain)/loss arising from changes in demographic assumptions	-	-	-
Actuarial (gain)/loss arising from changes in financial assumptions	-	(0.70)	(0.70)
Actuarial (gain)/loss arising from experience adjustments	-	-	-
Contributions	5.76	-	(5.76)
Benefit payments	(0.51)	(0.51)	-
Return on plan assets, excluding interest income	(0.01)	-	0.01
Transfer from Group Companies	0.09	0.09	-
As at March 31, 2018	**18.46**	**19.65**	**1.19**

All amounts are in ₹ crores, except share data and where otherwise stated

Note 31: Employee benefits (contd.)

(iii) Statement of Profit and Loss

The charge to the Statement of Profit and Loss comprises:

	Year ended March 31, 2018	Year ended March 31, 2017
Employee Benefit Expenses		
Current service cost	1.44	1.01
Interest cost	0.92	0.71
Past service cost	5.70	-
Interest income	(0.89)	(0.72)
Net impact on profit before tax	**7.17**	**1.00**
Remeasurement of the net defined benefit plans:		
Actuarial (gain)/loss arising from changes in demographic assumptions	-	0.40
Actuarial (gain)/loss arising from changes in financial assumptions	(0.70)	0.60
Actuarial (gain)/loss arising from experience adjustments	-	1.06
Return on plan assets, excluding interest income	0.01	(0.05)
Net impact on other comprehensive income before tax	**(0.69)**	**2.01**

(iv) Assets

The major categories of plan assets as a % of the total plan assets

	As at March 31, 2018	As at March 31, 2017
Funded with Life Insurance Corporation of India	100%	100%

(v) Assumptions

With the objective of presenting the plan assets and plan obligations of the defined benefits plans at their fair value on the Balance Sheet, assumptions under Ind AS 19 are set by reference to market conditions at the valuation date.

Discount rate	7.80%	7.22%
Salary escalation rate	7.00%	7.00%

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

Demographic assumptions

Mortality in Service: Indian Assured Lives Mortality (2006-08) Ultimate table.

(vi) Sensitivity analysis

The sensitivity of the overall plan obligations to changes in the weighted key assumptions are:

	As at March 31, 2018		As at March 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(1.10)	1.24	(0.77)	0.87
Salary escalation rate (1% movement)	1.18	(1.07)	0.81	(0.73)

The sensitivity analysis above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the Balance Sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 31: Employee benefits (contd.)

(vii) Maturity analysis

Maturity profile of defined benefit obligation:

	As at March 31, 2018	As at March 31, 2017
Within 1 year	2.29	1.31
1-2 year	2.03	1.23
2-3 year	2.16	1.33
3-4 year	2.13	1.24
4-5 year	2.15	1.33
5-10 year	9.16	5.81

The Company expects to contribute ₹3.13 crores to its defined benefit plans during the next fiscal year.

Note 32: Segment reporting

The Vice Chairman and Managing Director of the Company has been identified as the Chief Operating Decision Maker (CODM) who evaluates the Company's performance and allocates resources for manufacture and marketing of lead acid storage batteries. Accordingly, manufacturing and trading of lead acid storage batteries is considered as the operating segment of the Company.

Geographical information

The Company operates in India and makes certain sales to customers situated outside of India. The revenue from external customers by location of customers is detailed below. All the non-current assets of the Company are situated within India.

Revenue

	For the year ended March 31, 2018	For the year ended March 31, 2017
India	5,737.02	5,559.71
Outside India	495.96	421.68
Total	**6,232.98**	**5,981.39**

Refer to Note 41 on Financial Instruments and related disclosures for information on revenue from major customers.

Note 33:

The Company had purchased 8.68 hectares of freehold land for a consideration of ₹15.59 crores in 2011-12 at Tehsil Laksar, District Haridwar, Uttarakhand State. Under the terms of sanction by the State Government for sale of such land, a manufacturing unit was to be set up within two years from the date of purchase of land, which owing to unforeseen circumstances could not take place. The District Collector vide order dated November 10, 2014 initiated proceedings for vesting the aforementioned land with the State Government. Based on legal advice, the Company had in the previous year gone in appeal against the order of the District Collector with the Court of Board of Revenue, Dehradun, Uttarakhand State, ("the Court") which in the interim had stayed the proceedings. In the current year, the Court vide its order dated May 25, 2017 rejected the appeal filed by the Company, consequent to which the said freehold land has vested back with the State Government. The Company is in the process of evaluating various options to pursue the said order of the Court.

The Company had in the previous years, fully impaired the value of the aforesaid land. Consequent to the transition to Ind AS, and the Company's election to continue with the carrying amount of all of its property, plant and equipment recognised as of April 1, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as on the transition date, the provision for impairment recorded in respect of the said land before the date of transition under previous GAAP cannot be reversed in later years.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 34: Related party transactions

(a) Details of related parties

Entity exercising significant influence	
RNGalla Family Private Limited [w.e.f. July 11, 2017]	
RN Galla Family & Co. (Partnership Firm) [upto July 10, 2017]	
Johnson Controls (Mauritius) Private Limited	
Key Management Personnel	
Jayadev Galla	Vice-Chairman and Managing Director
Relative of Key Management Personnel	
Dr. Ramachandra N Galla	Chairman and Non-Executive Director
Entities in which KMP / Relatives of KMP exercise significant influence	
Amara Raja Power Systems Limited	
Amara Raja Electronics Limited	
Mangal Industries Limited	
Amara Raja Infra Private Limited	
Amara Raja Industrial Services Private Limited	
Amaron Batteries Private Limited	
Asistmi Solutions Private Limited	
Amara Raja Media and Entertainment Private Limited	
G2 Healthcare Private Limited	
Nine Nines Lifestyle Private Limited	
Rajanna Trust	
RNGalla Family Holdings Private Limited	

(b) Transactions with the above related parties during the year were:

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Sale of goods (Net of sale returns)		
Amara Raja Power Systems Limited	39.16	12.75
Amara Raja Electronics Limited	(0.15)	9.72
Mangal Industries Limited	0.63	0.50
Amara Raja Industrial Services Private Limited	0.01	-
Sale of Fixed Assets		
Amara Raja Industrial Services Private Limited	-	7.73
Mangal Industries Limited	-	0.01
Purchase of goods		
Amara Raja Power Systems Limited	0.18	0.37
Amara Raja Electronics Limited	97.67	45.74
Mangal Industries Limited	660.87	601.19
Availing of services		
Amara Raja Infra Private Limited	4.50	2.23
Amara Raja Industrial Services Private Limited	54.88	41.71
Purchase of Fixed Assets		
Amara Raja Power Systems Limited	26.94	15.41
Amara Raja Electronics Limited	0.87	0.03
Mangal Industries Limited	35.22	31.43
Amara Raja Infra Private Limited	143.71	224.55
Rent Expense		
Jayadev Galla	3.22	3.13
Dr. Ramachandra N Galla	0.55	0.51
Amara Raja Infra Private Limited	-	0.10
Donation Expense		
Rajanna Trust	14.28	16.00

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 34: Related party transactions (contd.)

Particulars	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Expenses reimbursed to		
Amara Raja Power Systems Limited	0.19	0.01
Amara Raja Electronics Limited	0.51	0.01
Mangal Industries Limited	0.07	0.01
Amara Raja Infra Private Limited	0.48	0.34
Amara Raja Industrial Services Private Limited	1.26	1.18
Dividends Paid (including interim dividend)		
RNGalla Family Private Limited	25.88	-
Johnson Controls (Mauritius) Private Limited	27.76	-
Mangal Industries Limited	1.95	-
Interest Expense		
Amara Raja Power Systems Limited	-	0.01
Expenses recovered from		
Amara Raja Power Systems Limited	6.79	4.80
Amara Raja Electronics Limited	1.46	2.32
Mangal Industries Limited	11.49	11.89
Amara Raja Infra Private Limited	2.37	2.24
Amara Raja Industrial Services Private Limited	2.00	1.55
Royalty Income		
Amara Raja Electronics Limited	-	0.64
Cash Discounts received		
Amara Raja Power Systems Limited	-	0.001
Amara Raja Electronics Limited	-	0.06
Interest Income		
Amara Raja Power Systems Limited	0.09	0.20
Amara Raja Electronics Limited	0.03	0.14
Mangal Industries Limited	0.19	0.01
Amara Raja Industrial Services Private Limited	0.001	0.08
Amara Raja Infra Private Limited	0.001	-
Other recoveries		
Mangal Industries Limited	10.74	0.82
Remuneration		
Jayadev Galla	38.86	38.06
Commission		
Dr. Ramachandra N Galla	23.32	22.84

(c) Balances receivable from / payable to related parties are as follows:

Particulars	As at March 31, 2018	As at March 31, 2017
Trade Receivables		
Amara Raja Power Systems Limited	9.53	4.02
Amara Raja Electronics Limited	-	3.19
Mangal Industries Limited	4.23	0.06
Security Deposits		
Jayadev Galla	2.04	2.04
Dr. Ramachandra N Galla	0.32	0.32
Interest Receivable		
Amara Raja Power Systems Limited	0.003	0.004
Amara Raja Electronics Limited	0.001	0.003
Mangal Industries Limited	0.14	0.001
Amara Raja Industrial Services Private Limited	0.002	0.002

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 34: Related party transactions (contd.)

Particulars	As at March 31, 2018	As at March 31, 2017
Advances (including contractually reimbursable expenses)		
Amara Raja Electronics Limited	0.24	0.32
Amara Raja Power Systems Limited	0.64	0.99
Mangal Industries Limited	2.41	2.96
Amara Raja Infra Private Limited	0.70	9.20
Amara Raja Industrial Services Private Limited	0.34	0.19
Trade payables		
Amara Raja Power Systems Limited	0.07	0.04
Amara Raja Electronics Limited	4.97	5.01
Mangal Industries Limited	7.46	11.70
Amara Raja Infra Private Limited	0.11	0.35
Amara Raja Industrial Services Private Limited	6.31	4.11
Payables on purchase of fixed assets		
Amara Raja Power Systems Limited	5.39	4.27
Amara Raja Electronics Limited	-	0.02
Mangal Industries Limited	2.02	4.77
Amara Raja Infra Private Limited	29.62	26.00
Other Payables (Employee Related)		
Jayadev Galla	36.51	35.79
Commission payable to Non Executive Directors		
Dr. Ramachandra N Galla	23.32	22.84
Rent Payable		
Jayadev Galla	0.21	0.14
Dr. Ramachandra N Galla	0.04	0.02
Capital commitments		
Amara Raja Power Systems Limited	6.50	2.62
Amara Raja Electronics Limited	0.08	0.56
Mangal Industries Limited	0.00	5.65
Amara Raja Infra Private Limited	28.50	64.76

Note 35: Earnings per share (EPS)

	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Profit for the year (in ₹ crores) [A]	471.32	478.49
Weighted average number of equity shares outstanding during the year (No's) [B]	170,812,500	170,812,500
Earnings per share (Face Value of ₹ 1 per share)		
- Basic and diluted (in ₹) [A/B]	**27.59**	**28.01**

Note 36: Leases

The Company's significant leasing arrangements are in respect of operating leases for premises (offices and warehouses). These leasing arrangements which are cancellable, range between 1 year and 9 years generally and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals of ₹17.66 crores (year ended March 31, 2017: ₹16.54 crores) paid under such arrangements has been charged to Statement of Profit and Loss as 'Rent' under Note 27.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 37: Revenue expenditure capitalized to fixed assets/ capital work-in-progress

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
(a) Employee benefits expense	3.85	0.19
(b) Cost of material consumed (net) (Refer Note below)	2.68	-
(c) Power and Fuel	0.78	-
(d) Depreciation and amortization expense	0.52	0.39
(e) Others	0.96	0.10
Total	**8.79**	**0.68**

Note: Net of income from sale of batteries, scrap, etc., ₹1.54 crores (Year ended March 31, 2017: ₹ Nil crores)

Note 38: Disclosure as per Regulation 53(F) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

(i) Loans and advances in the nature of loans given to Companies in which Directors are interested ₹ Nil (March 31, 2017: ₹ Nil)

(ii) Details of investments made under Section 186 of the Companies Act, 2013 are disclosed in Note 5. There are no loans / guarantees issued under Section 186 of the Companies Act, 2013.

Note 39: Details of expenditure incurred on research and development

	For the Year ended March 31, 2018	For the Year ended March 31, 2017
Revenue Expenditure:		
(a) Cost of materials consumed	0.59	0.50
(b) Consumption of stores and spares (including secondary packing material)	0.17	0.21
(c) Employee benefits expense	6.16	5.19
(d) Power and fuel	0.62	0.57
(e) Others	1.12	1.10
Total Revenue Expenditure [A]	**8.66**	**7.57**
Capital expenditure [B]	**1.60**	**5.28**
Total [A+B]	**10.26**	**12.85**

The Company has obtained approval from Department of Scientific and Industrial Research for claiming of weighted tax benefit under Section 35(2AB) of the Income Tax Act, 1961.

Note 40: Details of Provisions

(a) Provision for warranty is made for estimated warranty claims in respect of sale of certain storage batteries which are still under warranty at the end of the reporting period, the estimated cost of which is accrued at the time of sale. These claims are expected to be settled as and when warranty claims arise. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest that future claims could differ from historical amounts. The products are generally covered under a free warranty period ranging from 6 months to 3 years.

(b) The disclosure of provisions movement as required under the provisions of Ind AS 37 is as follows:

	2017-18	2016-17
Balance as at April 1	**81.49**	**79.24**
Additional provisions recognised	51.57	55.05
Amount utilised / reversed during the year	(51.52)	(58.27)
Unwinding of discount and effect of changes in the discount rate	4.36	5.47
Balance as at March 31	**85.90**	**81.49**
Out of the above,		
Classified under Non-current provisions (Refer Note 15)	33.73	30.42
Classified under Current provisions (Refer Note 15)	52.17	51.07

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 41: Financial instruments and Related Disclosures

A. Capital Management

The Company's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustainable stakeholder value. The Company funds its operations through internal accruals. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern. The capital structure of the Company is based on Management's judgment of its strategic day-to-day needs with a focus on total equity so as to maintain investor, creditors and market confidence.

The Management and the Board of Directors monitor the return on capital as well as the level of dividends to shareholders. The Company may take appropriate steps in order to maintain, or if necessary, adjust its capital structure.

Equity share capital and other equity are considered for the purpose of Company's Capital Management.

B. Categories of Financial Instruments

Particulars	Carrying value		Fair value	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Financial assets				
Measured at Amortised cost				
(i) Cash and cash equivalents	48.73	100.74	48.73	100.74
(ii) Other bank balances	62.55	70.18	62.55	70.18
(iii) Trade receivables	782.45	570.49	782.45	570.49
(iv) Other financial assets	14.42	13.41	14.42	13.41
(v) Investments	0.01	0.01	0.01	0.01
Measured at FVTOCI				
(i) Investments in equity instruments	19.80	18.87	19.80	18.87
Measured at FVTPL				
(a) Mandatorily measured:				
(i) Current investment- Mutual funds	15.33	127.78	15.33	127.78
Total Financial assets	**943.29**	**901.48**	**943.29**	**901.48**
Financial liabilities				
Measured at amortised cost				
(i) Borrowings	63.53	72.47	63.53	72.47
(ii) Trade payables	592.26	418.44	592.26	418.44
(iii) Other financial liabilities	163.34	143.17	163.34	143.17
Total Financial liabilities	**819.13**	**634.08**	**819.13**	**634.08**

C. Financial risk management objectives

The Company has a system-based approach to risk management, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as market risk, foreign currency risk, credit risk and liquidity risk) that may arise as a consequence of its business operations as well as its investing and financing activities. Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable and approved risk parameters in a disciplined and consistent manner and in compliance with applicable regulation. It also seeks to drive accountability in this regard. The key risks and mitigating actions are overseen by the Board of Directors of the Company.

Liquidity Risk

The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilised credit limits with banks. The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended March 31, 2018 and March 31, 2017. Cash flow from operating activities provides the funds to service the financial liabilities on a day to day basis.

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 41: Financial instruments and Related Disclosures (Contd.)

The Company regularly maintains the rolling forecasts to ensure it has sufficient cash on an on-going basis to meet operational needs. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits and mutual funds with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

The Company's Current assets aggregate to ₹2,152.30 crores (March 31, 2017 - ₹1,758.62 crores) including Current investments, Cash and cash equivalents and Other bank balances of ₹126.61 crores (March 31, 2017 - ₹298.70 crores) against an aggregate Current liability of ₹992.98 crores (March 31, 2017- ₹759.62 crores). The table below provides details regarding the contractual maturities of significant Non-current financial liabilities as of March 31, 2018 and March 31, 2017:

	March 31, 2018			
Particulars	**1-3 years**	**3-5 years**	**Above 5 years**	**Total**
Borrowings	24.08	17.82	16.53	58.43
	March 31, 2017			
	1-3 years	**3-5 years**	**Above 5 years**	**Total**
Borrowings	10.58	24.08	34.35	69.01

Further, while the Company's total equity stands at ₹2,937.39 crores (March 31, 2017: ₹2,593.07 crores), it has borrowings of ₹63.53 crores (March 31, 2017: ₹72.47 crores). In such circumstances, liquidity risk or the risk that the Company may not be able to settle or meet its obligations as they become due does not exist.

Market Risk

The Company continues to hold certain investments in equity for long term value accretion which are accordingly measured at fair value through Other Comprehensive Income. The value of investments in such equity instruments as at March 31, 2018 is ₹19.80 crores (March 31, 2017 - ₹18.87 crores). Accordingly, fair value fluctuations arising from market volatility is recognised in Other Comprehensive Income.

As the Company is virtually debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial liabilties is negligible. Further, treasury activities, focused on managing current investments are administered under a set of approved policies and procedures guided by the tenets of liquidity, safety and returns. This ensures that investments are only made within acceptable risk parameters after due evaluation.The Company invests in Mutual Fund schemes of leading fund houses. Such investments are susceptible to market price risk that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the Mutual Fund schemes in which the Company has invested, such price risk is not significant. Fixed deposits are held with highly rated banks and have a short tenure and are not subject to interest rate volatility.

Foreign Currency Risk

The Company is subject to the risk that changes in foreign currency values impact the Company's export revenues and import of raw materials and property, plant and equipment. The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to US Dollars. Financial assets and liabilities denominated in foreign currency, are also subject to reinstatement risk.

The Company manages currency exposures within prescribed limits. The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk.

The carrying amount of non-derivative foreign currency denominated financial assets and liabilities are as follows: (₹ in crores)

As at March 31, 2018	**USD**	**EURO**	**GBP**	**Other currencies***	**Total**
Financial Assets					
- Trade receivables	35.52	-	-	-	35.52
- Cash and cash equivalents	12.73	0.01	-	0.01	12.75
Financial Liabilities					
- Trade Payables	(174.79)	(15.05)	(1.49)	(0.28)	(191.61)
Net financial asset / (liability)	**(126.54)**	**(15.04)**	**(1.49)**	**(0.27)**	**(143.34)**

Note 41: Financial instruments and Related Disclosures (Contd.)

(₹ in crores)

As at March 31, 2017	USD	EURO	GBP	Other currencies*	Total
Financial Assets					
- Trade receivables	28.09	-	-	-	28.09
- Cash and cash equivalents	8.82	-	-	0.00	8.82
Financial Liabilities					
- Trade Payables	(78.54)	(6.65)	(0.93)	(0.00)	(86.12)
Net financial asset / (liability)	**(41.63)**	**(6.65)**	**(0.93)**	**0.00**	**(49.21)**

*Others includes currencies such as Japanese Yen, Russian ruble, South Korean Won, Israeli New Shekel, etc.

Foreign currency sensitivity analysis

For every percentage point increase in the underlying exchange rate of the outstanding foreign currency denominated assets and liabilities, holding all other variables constant, the profit before tax for the year ended March 31, 2018 would change by ₹ (1.29 crores) [March 31, 2017: ₹(0.42 crores)]. For every percentage point decrease in the underlying exchange rate would have led to an equal but opposite effect.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% change in foreign currency rates.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligation.

Concentration of credit risk with respect to trade receivables are limited, due to Company's customer base being large and diverse. All trade receivables are reviewed and assessed for default on a monthly basis.The Company’s historical experience of collecting receivables and the level of default indicate that credit risk is low and generally uniform across markets; consequently, trade receivables are considered to be a single class of financial assets. All overdue customer balances are evaluated taking into account the age of the dues, specific credit circumstances, the track record of the counterparty etc. Loss allowances and impairment is recognised, where considered appropriate by responsible management.

The credit risk on cash and bank balances and fixed deposits is limited because the counterparties are banks with high credit ratings.

The following table gives details in respect of revenues generated from top customer and top 5 customers:

	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from top customer from whom the Company receives 10% or more of its revenues	-	695.65
Revenue from top 5 customers	732.30	1,153.95

D. Fair value measurement

Fair value hierarchy

The fair value of financial instruments as referred to in Note 41 above have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identified assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements]

The following levels have been used for classification:

- Level 1: Quoted prices (unadjusted) for identical instruments in active market.
- Level 2: Directly or indirectly observable market inputs, other than Level 1 inputs
- Level 3: Inputs which are not based on observable market data.

If one or more of the significant inputs is not based on observable market data, the fair value is determined using generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparty.

The fair value of trade receivables, trade payables and other Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short-term nature. Where such items are Non-current in nature, the same has been classified as Level 3 and fair value determined using discounted cash flow basis. Similarly for certain unquoted

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 41: Financial instruments and Related Disclosures (Contd.)

equity instruments where most recent information to measure fair value is insufficient, or if there is a wide range of possible fair value measurements, cost has been considered as the best estimate of fair value.

There has been no change in the valuation methodology for Level 3 inputs during the year. The Company has classified certain unquoted equity instruments under Level 3 of the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the year.

Financial Instrument	Valuation Technique	Key inputs used	Sensitivity
Investments in unquoted equity instrument at FVTOCI [1.65% equity instrument in Andhra Pradesh Gas Power Corporation Limited engaged in generation and distribution of power and domiciled in India]	Discounted Cash Flow Method	Long term growth rates, taking into account management's experience and knowledge of market conditions of the specific industry, ranging from 1% to 3% (as at March 31, 2017: 1% to 3%).	If the Long-term revenue growth rates used were 1% higher/lower while all other variables were held constant, the carrying amount of the shares would increase / (decrease) by ₹0.78 crores and ₹(0.69) crores respectively [as at March 31, 2017: ₹0.78 crores and ₹(0.68) crores respectively]
		Weighted average cost of capital (WACC) as determined ranging from 17% to 18% (as at March 31, 2017: 16% to 17%)	A 1% increase / (decrease) in WACC or discount rate used while holding all other variables constant would (decrease) / increase the carrying amount of the unquoted equity investments by ₹(1.20) crores and ₹1.37 crores respectively [as at March 31, 2017: ₹(1.17 crores) and ₹1.34 crores respectively]

Note: These investments in equity instruments are not held for trading. Instead, they are held for long term strategic purpose. Upon the application of Ind AS 109, the company has chosen to designate these investments in equity instruments as at FVTOCI irrevocably as the Management believes that this provides a more meaningful presentation for long term strategic investments, than reflecting changes in fair value immediately in profit or loss.

The following table presents the fair value hierarchy of assets measured at fair value on a recurring basis :

Particulars	Fair value hierarchy (Level)	As at March 31, 2018	As at March 31, 2017
Financial assets			
a) Measured at amortised cost			
i) Other financial assets (Non-current)	3	5.27	5.90
Sub-total		**5.27**	**5.90**
b) Measured at fair value through OCI			
i) Equity Shares - Quoted	1	0.24	0.24
ii) Equity Shares - Unquoted	3	19.56	18.63
Sub-total		**19.80**	**18.87**
c) Measured at fair value through profit or loss			
i) Investment in Mutual Funds	1	15.33	127.78
Sub-total		**15.33**	**127.78**
Total Financial assets		**40.40**	**152.55**

Notes to the financial statements

All amounts are in ₹ crores, except share data and where otherwise stated

Note 42: Dividend

Dividend on equity shares paid during the year	2017-18	2016-17
Final dividend for the FY 2016-17 [₹4.25 per equity share of ₹1 each]	72.60	-
Dividend distribution tax on final dividend	14.80	-
Interim dividend for the FY 2017-18 [₹2 per equity share of ₹1 each]	34.16	-
Dividend distribution tax on interim dividend	6.96	-
	128.52	**-**

The Board of Directors at its meeting held on May 18, 2018 have recommended a final dividend of ₹2.15 per equity share of face value of ₹1 each for the financial year ended March 31, 2018. The above is subject to approval at the ensuing Annual General Meeting of the Company and hence is not recognised as a liability. Interim dividend of ₹2 per equity shares of face value of ₹1 each approved by the Board of Directors at its meeting held on November 9, 2017 was paid during the current year. The total dividend (including interim dividend) for FY 2017-18 amounts to ₹4.15 per equity share (Previous year ₹4.25 per equity share).

Note 43: The financial statements are approved for issue by the Audit Committee at its meeting held on May 14, 2018 and by the Board of Directors on May 18, 2018.

For and on behalf of the Board of Directors

Dr. Ramachandra N Galla
Chairman

Jayadev Galla
Vice Chairman and Managing Director

S.Vijayanand
Chief Executive Officer

S.V. Raghavendra
Chief Financial Officer

M.R. Rajaram
Company Secretary

Place: Milwaukee, USA
Date : May 18, 2018