Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

1. Corporate information

KAJARIA CERAMICS LIMITED ("KCL" or "the Company") is a limited company domiciled in India and was incorporated on 20 December 1985. Equity shares of the Company are listed in India on the Bombay stock exchange and the National stock exchange. The registered office of the Company is located at SF-11, Second Floor, JMD Regent Plaza Mehrauli Gurgaon Road, Village Sikanderpur Ghosi Gurgaon Haryana - 122001, India. KCL is the largest manufacturers of ceramic and vitrified wall and floor tiles in the country and 9th largest in the world.

2. Application of new and revised Indian Accounting Standard (Ind AS)

All the Ind AS issued and notified by the Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the standalone financial statements are authorized have been considered in preparing these standalone financial statements.

2.1 Standards issued but not yet effective

On 28 March 2018, the Ministry of Corporate Affairs (MCA) issued the Companies (Indian Accounting Standards) Amendment Rules, 2018, notifying Ind AS 115, 'Revenue from Contracts with Customers' and Appendix B, Foreign Currency Transactions and Advance Consideration to Ind AS 21, 'The Effects of Changes in Foreign Exchange Rates'. The effective date for adoption is financials periods beginning on or after 01 April 2018.

Ind AS 115 'Revenue from Contracts with Customers': Ind AS 115 establishes the principles whereby an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity shall be required to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The standard permits two possible methods of transition:

(a) Retrospective approach- The standard shall be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

(b) Retrospective with cumulative effect of initial application of the standard recognised at the date of initial application (Cumulative catch-up transition method)

The Company is examining the methods of transition to be adopted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Appendix B, Foreign currency transactions and advance consideration to Ind AS 21: Appendix B to Ind AS 21 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will be effective on financials periods beginning on or after 01 April 2018. The effect of this amendment is expected to be insignificant.

3 Significant accounting policies and other explanatory information

A. Statement of compliance with Indian Accounting Standards (Ind AS)

The standalone financial statements of the Company have been prepared in accordance with Ind AS notified by the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

B. Overall considerations

The standalone financial statements have been prepared using the significant accounting policies and measurement basis summarized below.

These accounting policies have been used throughout all periods presented in the standalone financial statements.

C. Historical cost convention

These standalone financial statements have been prepared on a historical cost convention except where certain financial assets and liabilities have been measured at fair value.

D. Significant accounting policies

a. Current versus non-current classification

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

An asset/liability is treated as current when it is:

- Expected to be realised or intended to be sold or consumed or settled in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised/settled within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

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

b. 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 the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates allowed by the Company.

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 service tax are excluded from revenue.

<u>Sales of products:</u>
Revenue from sale of products is recognized when the Company transfers all significant risks and rewards of ownership to the buyer.

<u>Interest income and dividend:</u>
Interest income is recognized using effective interest method.

Dividend income is recognized when the right to receive payment is established.

c. Inventories

Raw materials, work-in-progress, finished goods, packing materials, stores and spares, stock-in-trade, trading and other products are carried at the lower of cost and net realizable value. However, materials and other items held for use in production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

In determining the cost of raw materials, packing materials, stock-in-trade, stores and spares, trading and other products, weighted average cost method is used. Cost of inventory comprises all costs of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition.

Cost of finished goods and work-in-progress includes the cost of raw materials, packing materials, an appropriate share of fixed and variable production overheads, excise duty as applicable and other costs incurred in bringing the inventories to their present location and condition.

d. Property, plant and equipment

<u>Measurement and recognition</u>
An item of property, plant and equipment that qualifies as an asset is measured on initial recognition at cost. Following initial recognition, items of property, plant and equipment are carried at its cost less accumulated depreciation and accumulated impairment losses.

Notes on the standalone financial statement for the year ended 31 March 2018
(Amount in ₹ crores, unless otherwise stated)

The Company identifies and determines cost of each part of an item of property, plant and equipment separately, if the part has a cost which is significant to the total cost of that item of property, plant and equipment and has useful life that is materially different from that of the remaining item.

The cost of an item of property, plant and equipment comprises of its purchase price including import duties and other non-refundable purchase taxes or levies, directly attributable cost of bringing the asset to its working condition for its intended use and the initial estimate of decommissioning, restoration and similar liabilities, if any. Any trade discounts and rebates are deducted in arriving at the purchase price. Cost includes cost of replacing a part of a plant and equipment if the recognition criteria are met. Expenses directly attributable to new manufacturing facility during its construction period are capitalized if the recognition criteria are met. Expenditure related to plans, designs and drawings of buildings or plant and machinery is capitalized under relevant heads of property, plant and equipment if the recognition criteria are met.

Items such as spare parts, stand-by equipment and servicing equipment that meet the definition of property, plant and equipment are capitalized at cost and depreciated over their useful life. Costs in nature of repairs and maintenance are recognized in the Statement of Profit and Loss as and when incurred.

Capital work in progress and Capital advances
Capital work in progress includes construction stores including material in transit/ equipment / services, etc. received at site for use in the projects. All revenue expenses incurred during construction period, which are exclusively attributable to acquisition / construction of fixed assets, are capitalized at the time of commissioning of such assets. Cost of assets not ready for intended use, as on the Balance Sheet date, is shown as capital work in progress.

Advances given towards acquisition of fixed assets outstanding at each Balance Sheet date are disclosed as Other Non-Current Assets.

Depreciation
Depreciation on each part of an item of property, plant and equipment is provided using the Straight Line Method (SLM) based on the useful life of the asset as estimated by the management and is charged to the Statement of Profit and Loss as per the requirement of Schedule II of the Companies Act, 2013 except on some assets, where useful life has been taken based on external / internal technical evaluation as given below:

Particulars	Useful lives
Plant and Machinery	7, 10 & 18 years
Fit-out and other assets at sales outlets	5 years

Freehold land is not depreciated. Leasehold land and Leasehold improvements are amortized over the period of the lease or the useful life of the asset, whichever is lower.

The useful lives, residual values of each part of an item of property, plant and equipment and the depreciation methods are reviewed at the end of each financial year. If any of these expectations differ from previous estimates, such change is accounted for as a change in an accounting estimate.

Derecogntion
The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds and the carrying amount of the item and is recognized in the Statement of Profit and Loss when the item is derecognized.

e. Intangible Assets
Measurement and recognition
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment loss, if any.

Amortization
Intangible Assets with finite lives are amortized on a Straight Line basis over the estimated useful economic life. The amortization expense on intangible assets with finite lives is recognized in the Statement of Profit and Loss. The amortisation period and method for an intangible asset is reviewed at least at the end of each reporting period.

Costs relating to computer software are capitalised and amortised on straight line method over their estimated useful economic life of six years.

Derecognition
The carrying amount of an intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the Statement of Profit and Loss when the asset is derecognized.

f. Research and development costs

Expenditure on research is recognized as an expense when it is incurred. Expenditure on development which does not meet the criteria for recognition as an intangible asset is recognized as an expense when it is incurred.

Items of property, plant and equipment utilized for research and development are capitalized and depreciated in accordance with the policies stated for Property, Plant and Equipment.

g. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs, if any, directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized, if any. All other borrowing costs are expensed in the period in which they occur.

h. Foreign currency transactions

Initial recognition:
On initial recognition, transactions in foreign currencies entered into by the Company are recorded in the functional currency (i.e. Indian Rupees), by applying to the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Statement of Profit and Loss.

Measurement of foreign currency items at reporting date:
Foreign currency monetary items of the Company are translated at the closing exchange rates. 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 the exchange rates at the date when the fair value is measured.

Exchange differences arising out of these translations are recognized in the Statement of Profit and Loss.

i. Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an asset, the cost of the asset is shown at gross value and grant thereon is treated as capital grant which is recognized as income in statement of profit and loss over the period and in proportion in which depreciation is charged.

When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

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

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

j. Taxes on income

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax

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

Current income tax relating to items recognised directly in equity/other comprehensive income is recognised under the respective head and not in the statement of profit & loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets are offset against current tax liabilities if, and only if, a legally enforceable right exists to set off the recognised amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognized directly in equity/other comprehensive income is recognized in respective head and not in the statement of profit & loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

k. Employee benefits

Short term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

Post-employment benefits:

I. Defined contribution plans:

The Company makes payments made to defined contribution plans such as provident fund and employees' state insurance. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

II. Defined benefit plans:

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Other long-term employee benefits:

Other long-term employee benefits are recognised as an expense in the Statement of Profit and Loss as and when they accrue. The Company determines the liability using the Projected Unit Credit Method, with actuarial valuations carried out as at the balance sheet date. Actuarial gains and losses in respect of such benefits are charged to the Statement of Profit and Loss.

l Share-based payments

The fair value of options granted under Employee Stock Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in statement of profit and loss, with a corresponding adjustment to equity.

m. Leases

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

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line

Notes on the standalone financial statement for the year ended 31 March 2018
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basis over the lease term. However, rent expenses shall not be straight-lined, if escalation in rentals is in line with expected inflationary cost.

n. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

o. 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 events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate is possible

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

p. Earnings per share

Basic earnings per equity share is calculated by dividing the net profit for the year attributable to equity shareholders by weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average numbers of shares outstanding during the year are adjusted for the effects of all dilutive potential equity share

q. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

r. Financial instruments

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

a) Financial assets

Classification

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

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

- **Financial assets carried at amortised cost**
  A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- **Financial assets at fair value through other comprehensive income**
  A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

- **Financial assets at fair value through profit or loss**
  A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

Derecognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company assesses impairment based on expected credit losses (ECL) model for measurement and recognition of impairment loss, the calculation of which is based on historical data, on the financial assets that are trade receivables or contract revenue receivables and all lease receivables.

b) Financial liabilities

Classification

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

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

- Financial liabilities at amortised cost
  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

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

  Gains or losses on liabilities held for trading are recognized in the statement of profit and loss.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

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

c) Offsetting of financial instruments

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

d) Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps, full currency swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

s. Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash generating unit is estimated. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the statement of profit and loss.

t. Fair value measurement

The Company measures financial instruments such as derivatives and certain investments, at fair value at each balance sheet date.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

E. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements. Changes in estimates are accounted for prospectively.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

Estimates and assumptions

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

(a) Impairment of non-financial assets

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

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

(b) Defined benefit plans

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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(c) Useful lives of depreciable/amortisable assets

Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

(d) Fair value measurement of financial instruments

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

(e) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(Amount in ₹ crores, unless otherwise stated)

4. Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Furniture and Fixtures	Vehicles	Office equipments	Computers	Display assets	Total
Gross carrying amount										
As at 1 April 2016	13.63	3.12	214.30	722.68	6.68	22.81	5.95	4.59	17.99	1,011.75
Additions	1.11	-	14.14	80.48	1.56	6.92	2.28	1.23	6.60	114.32
Disposals	-	-	-	18.69	0.32	3.23	0.37	0.06	1.07	23.74
As at 31 March 2017	**14.74**	**3.12**	**228.44**	**784.47**	**7.92**	**26.50**	**7.86**	**5.76**	**23.52**	**1,102.33**
Additions	0.18	3.00	7.59	63.71	0.50	8.51	1.30	0.36	4.78	89.93
Disposals	0.02	0.01	0.16	5.58	0.23	3.99	0.61	1.94	6.57	19.11
As at 31 March 2018	**14.90**	**6.11**	**235.87**	**842.60**	**8.19**	**31.02**	**8.55**	**4.18**	**21.73**	**1,173.15**
Accumulated depreciation										
As at 1 April 2016	-	0.83	53.12	267.75	4.01	7.26	2.98	3.72	11.50	351.17
Depreciation charge for the year	-	0.03	6.03	39.44	0.47	3.03	0.72	0.43	2.30	52.45
Disposals	-	-	-	14.56	0.24	1.79	0.32	0.05	0.64	17.60
As at 31 March 2017	**-**	**0.86**	**59.15**	**292.63**	**4.24**	**8.50**	**3.38**	**4.10**	**13.16**	**386.02**
Depreciation charge for the year	-	0.04	6.35	46.30	0.51	3.42	0.96	0.51	2.97	61.06
Disposals	-	-	0.11	4.60	0.22	2.41	0.59	1.93	6.50	16.36
As at 31 March 2018	**-**	**0.90**	**65.39**	**334.33**	**4.53**	**9.51**	**3.75**	**2.68**	**9.63**	**430.72**
Net carrying amount :										
As at 31 March 2018	**14.90**	**5.21**	**170.48**	**508.27**	**3.66**	**21.51**	**4.80**	**1.50**	**12.10**	**742.43**
As at 31 March 2017	**14.74**	**2.26**	**169.29**	**491.84**	**3.68**	**18.00**	**4.48**	**1.66**	**10.36**	**716.31**

Notes:

I. **Property, plant and equipment pledged as security**
Refer note 17 for information on property, plant and equipment pledged as security by the Company.

II. **Contractual obligations**
Refer to note 35 for disclosure on contractual commitments for the acquisition of property, plant and equipment.

III. **Capital work-in-progress**
Capital work-in-progress mainly pertains to work related to installation of machinery and civil work being carried on at plants of the Company.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

5. Other intangibles assets

	Software	Total
Gross carrying amount		
As at 1 April 2016	5.77	5.77
Additions	1.47	1.47
As at 31 March 2017	**7.24**	**7.24**
Additions	0.32	0.32
As at 31 March 2018	**7.56**	**7.56**
Accumulated amortisation		
As at 1 April 2016	3.74	3.74
Amortisation charge for the year	0.75	0.75
As at 31 March 2017	**4.49**	**4.49**
Amortisation charge for the year	0.70	0.70
As at 31 March 2018	**5.19**	**5.19**
Net carrying amount :		
As at 31 March 2018	**2.37**	**2.37**
As at 31 March 2017	**2.75**	**2.75**

6. Non-current financial assets - Investments

Investments	As at 31 March 2018	As at 31 March 2017
Investments in equity shares (unquoted)		
(a) Investments in subsidiaries (at amortised cost) - Trade		
Soriso Ceramic Private Limited 1,530,000 (31 March 2017: 1,530,000) equity shares of ₹10 each fully paid up	5.62	5.62
Jaxx Vitrified Private Limited 12,314,032 (31 March 2017: 9,119,500) equity shares of ₹10 each fully paid up	31.14	24.75
Vennar Ceramics Limited 12,240,000 (31 March 2017: 7,650,000) equity shares of ₹10 each fully paid up	18.24	13.65
Cosa Ceramics Private Limited 4,642,040 (31 March 2017: 4,642,040) equity shares of ₹10 each fully paid up	11.61	11.61
Kajaria Floera Ceramics Private Limited (formerly known as Floera Ceramics Private Limited) 700,000 (31 March 2017: 510,000) equity shares of ₹100 each fully paid up	8.71	5.10
Kajaria Bathware Private Limited 25,000,000 (31 March 2017: 25,000,000) equity shares of ₹10 each fully paid up	40.00	40.00
(b) Investments in others (at FVOCI) - Trade		
Taurus Tiles Private Limited 8,00,000 (31 March 2017: 8,160,000) equity shares of ₹10 each fully paid up	0.33	8.16
Total	**115.65**	**108.89**
Aggregate amount of unquoted investments	**115.65**	**108.89**
Aggregate market value of unquoted investments	**0.33**	**8.16**

7. Loans#

(Unsecured, considered good)

	Non-current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Security deposits	8.34	8.11	-	-
Deferred lease expenses	3.08	2.71	-	-
Loans to related parties*	207.97	179.61	0.20	7.07
Other loans	-	-	1.65	2.65
Total	**219.39**	**190.43**	**1.85**	**9.72**

Notes:

Loans are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

* Represents loans given to subsidiary companies for business purposes and inter alia includes ₹85.00 crore (31 March 2017: ₹62.18 crore) given to a wholly owned subsidiary 'Kajaria Bathware Private Limited' in which directors of the Company are also directors.

8. Non-current tax assets (net)

	As at 31 March 2018	As at 31 March 2017
Non-current tax assets (net)	0.02	0.13
Total	**0.02**	**0.13**

9. Other assets

(unsecured, considered good)

	Non Current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Capital advances	0.95	3.88	-	-
Advance to suppliers	-	-	6.03	9.24
Prepaid expenses	-	-	4.84	3.69
Export benefit receivables	-	-	1.93	0.16
Balance with statutory authorities	-	-	3.85	18.60
Total	**0.95**	**3.88**	**16.65**	**31.69**

10. Inventories (valued at lower of cost or net realisable value)

	As at 31 March 2018	As at 31 March 2017
Raw materials	26.34	23.90
Work-in-progress	9.53	7.18
Finished goods	159.35	143.70
Stock-in-trade	6.00	17.04
Stores and spares	32.21	31.79
Packing material	12.73	11.05
Total	**246.16**	**234.66**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

11. Trade receivables

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good	406.59	305.90
Unsecured, considered doubtful	2.20	1.29
Less: Allowance for expected credit losses	(2.20)	(1.29)
Total	**406.59**	**305.90**

Note:

a.) No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person or amounts dues from firms or private companies in which any director is a partner, director or a member.

b.) All amounts are short term. The net carrying value of trade receivable is considered a reasonable approximation of fair value.

12. Cash and cash equivalents

	As at 31 March 2018	As at 31 March 2017
Balances with banks		
- Current accounts	12.06	16.64
- Deposits with original maturity of less than three months	63.00	30.00
Cash on hand	0.56	0.52
Total	**75.62**	**47.16**

Note:

a) There are no repatriation restrictions with regard to cash and cash equivalents at the end of the reporting period and prior period.

b) Short-term deposits are made for periods of/upto three months at varying rate of interest, depending on the cash flow requirements of the Company.

13. Bank balances other cash and cash equivalents

	As at 31 March 2018	As at 31 March 2017
Earmarked balances with banks in current accounts-unpaid dividends (refer note below)	1.73	1.51
Total	**1.73**	**1.51**

Note: Not due for deposit in the Investor Education and Protection Fund.

14. Other current financial assets

(Unsecured, considered good)

	As at 31 March 2018	As at 31 March 2017
Interest accrued on deposits and loans	0.40	1.26
Others	-	0.22
Total	**0.40**	**1.48**

(Amount in ₹ crores, unless otherwise stated)

15. Equity share capital

	As at 31 March 2018	As at 31 March 2017
Authorised:		
520,000,000 equity shares of ₹1 each (31 March 2017: 250,000,000 of ₹1 each)	52.00	25.00
7,710,000 preference shares of ₹100 each (31 March 2017: 1,000,000 of ₹100 each)	77.10	10.00
	129.10	**35.00**
Issued and subscribed:		
158,950,300 equity shares of ₹1 each (31 March 2017: 158,938,000 equity shares of ₹1 each)	15.90	15.89
Total	**15.90**	**15.89**

A. Reconciliation of authorised share capital at the beginning and at the end of the reporting year

i) Equity Share Capital

	As at 31 March 2018		As at 31 March 2017	
	No of shares	Amount	No of shares	Amount
At the beginning of the reporting year	250,000,000	25.00	125,000,000	25.00
Add: Increase during the year (refer note 49)	270,000,000	27.00	-	-
Add: Share spilt during the year (refer note E below)	-	-	125,000,000	-
Outstanding at the end of the year	**520,000,000**	**52.00**	**250,000,000**	**25.00**

ii) Preference Share Capital

	As at 31 March 2018		As at 31 March 2017	
	No of shares	Amount	No of shares	Amount
At the beginning of the reporting year	1,000,000	10.00	1,000,000	10.00
Add: Increase during the year (refer note 49)	6,710,000	67.10	-	-
Outstanding at the end of the year	**7,710,000**	**77.10**	**1,000,000**	**10.00**

B. Reconciliation of the shares outstanding at the beginning and at the end of the year

	As at 31 March 2018		As at 31 March 2017	
	No of shares	Amount	No of shares	Amount
At the beginning of the reporting year	158,938,000	15.89	79,469,000	15.89
Add: issued on exercise of employee share option	12,300	0.01	-	-
Share spilt during the year (refer note E below)	-	-	79,469,000	-
Outstanding at the end of the year	**158,950,300**	**15.90**	**158,938,000**	**15.89**

C. Terms/rights attached to equity shares

The Company has only one class of equity share having face value of ₹1 per share. The holder of the equity shares is entitled to receive dividend as declared from time to time. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing annual general meeting. The holder of share is entitled to voting rights proportionate to their share holding.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

D. Shares reserved for issue under options

Information relating to Kajaria Ceramics Employee Stock Option Plan, 2015, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 40.

E. Share spilt

In the previous year ended 31 March 2017, the equity shares of the Company were split from face value of ₹2/- each to ₹1/- each. In this regard, the Board of Directors of the Company has accorded its approval at its meeting held on 16 June 2016 and shareholders approved the same at the Annual General Meeting held on 24 August 2016. Accordingly, The National Stock Exchange of India Limited & BSE Limited have changed the face value of equity shares of the Company w.e.f. 4 October 2016 and consequently on that date equity shares of the company changed from 79,469,000 of ₹2/- each to 15,89,38,000 of ₹1/- each.

F. Details of shareholders holding more than 5% shares in the Company*:

Name of Shareholder	As at 31 March 2018		As at 31 March 2017	
	Number of shares held having face value of ₹1 each	% of holding in class	Number of shares held having face value of ₹1 each	% of holding in class
Ashok Kajaria jointly with Rishi Kajaria (in their capacity as joint trustees of Versha Kajaria Family Private Trust)	12,933,973	8.14%	-	-
Professional Home Solutions Private Limited (in its capacity as sole trustee of Chetan Kajaria Family Private Trust)	25,867,947	16.27%	-	-
Versha Kajaria jointly with Chetan Kajaria (in their capacity as joint trustees of Rishi Kajaria Family Private Trust)	25,867,947	16.27%	-	-
Kajaria Securities Private Limited	-	-	64,365,138	40.50%
Westbridge Crossover Fund LLC	-	-	11,770,840	7.41%

* As per the records of the Company, including its register of members

G. Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus shares and brought back during the last 5 years for each class of shares

Except for shares issued as mentioned in note 49, the Company has not issued any shares pursuant to a contract without payment being received in cash nor has there been any buy-back of shares and any bonus shares which have been issued in the current year and preceding five years.

16. Other equity

	As at 31 March 2018	As at 31 March 2017
a) General reserves		
Balance at the beginning of the year	**320.37**	**245.37**
Add: Transferred from retained earnings	-	75.00
Balance at the end of the year	**320.37**	**320.37**
b) Securities premium reserve		
Balance at the beginning of the year	**163.06**	**163.06**
Changes during the year	0.68	-
Balance at the end of the year	**163.74**	**163.06**
c) Capital redemption reserve		
Balance at the beginning/end of the year	**5.00**	**5.00**

(Amount in ₹ crores, unless otherwise stated)

	As at 31 March 2018	As at 31 March 2017
d) Share options outstanding account		
Balance at the beginning of the year	**2.70**	**0.83**
Changes during the year	1.59	1.87
Balance at the end of the year	**4.29**	**2.70**
e) Capital reserve		
Balance at the beginning of the year	**-**	**-**
Reserves vested in the Company pursuant to the Scheme (refer note 49)	38.82	-
Adjustment pursuant to the Scheme (refer note 49)	(66.20)	-
Balance at the end of the year	**(27.38)**	**-**
f) Retained earnings		
Balance at the beginning of the year	**672.67**	**526.01**
Profit for the year	252.32	270.16
Items of OCI for the year, net of tax	(0.15)	(0.67)
Reserves vested in the Company pursuant to the Scheme (refer note 49)	27.67	-
Adjustment pursuant to the Scheme (refer note 49)	(19.31)	-
Dividend distributed	(28.37)	(39.74)
Dividend distribution tax paid	(9.71)	(8.09)
Transfer to general reserve	-	(75.00)
Balance at the end of the year	**895.12**	**672.67**
g) Other Comprehensive Income		
(i) Equity instruments designated at fair value through Other Comprehensive Income		
Balance at the beginning of the year	**-**	**-**
Changes during the year (net of tax)	(0.47)	-
Balance at the end of the year	**(0.47)**	**-**
Total other equity	**1,360.67**	**1,163.80**

Nature and purpose of reserves -

a) General reserve

General reserve is created from time to time by way of transfer of profits from retained earnings for appropriation purposes. General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income.

b) Securities premium reserve

This reserve is used to record the premium on issue of shares. The reserve will be utilised in accordance with the provisions of the Companies Act, 2013.

c) Capital redemption reserve

This reserve was created on redemption of preference shares in the financial year 2001-02. The reserve will be utilised in accordance with the provisions of the Companies Act, 2013.

d) Share options outstanding account

The reserve is used to recognise the grant date fair value of the options issued to employees under Kajaria Ceramics Employee Stock Option Plan, 2015.

e) Capital reserve

The reserve is created on Scheme of Arrangement (the Scheme) between the Company and Kajaria Securities Private Limited ('KSPL') (refer note 49)

f) Equity instruments designated at Fair Value through Other Comprehensive Income ('FVOCI')

The Company has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within FVOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

17. Borrowings

	Non-current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Term Loan - Secured				
(i) From banks	-	0.26	-	-
Less: Current maturities of long term debt (refer note 21)	-	(0.26)	-	
(ii) Deferred payment liabilities Interest free loan from Financial Institution (Sales tax deferment scheme - State of Uttar Pradesh)	6.02	2.70	-	-
Working capital facility - Secured				
From banks	-	-	5.92	7.78
	6.02	**2.70**	**5.92**	**7.78**

Terms of borrowings

Type of loan	Loan outstanding		Rate of interest	Security Guarantee	Repayment terms
	As at 31 March 2018	As at 31 March 2017			
Term loans - from banks (secured)	-	0.26	10.5% to 11% per annum	Secured against respective assets financed.	Repayable in equal monthly installments over 3 years
Term loan - deferred payment liabilities	6.02	2.70	Nil	Secured against first charge on part of factory land and building of the Company at Sikandrabad, Uttar Pradesh	Repayable in one installment after 7 years from date of disbursement.
Working capital facility (secured)	5.92	7.78	8.15% (31 March 2017 : 9% to 9.25%) per annum	Secured against first charge on inventories and book debts and second charge on immovable and movable assets of the Company (as its factories at Sikandrabad, Uttar Pradesh and Gailpur, Rajasthan)	Repayable on demand

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 March 2018	As at 31 March 2017
Current borrowings	5.92	7.78
Non-current borrowings	6.02	2.96
Net debt	**11.94**	**10.74**
	Current borrowings	Non-current borrowings
Net debt as at 1 April	**7.78**	**2.96**
Cash flows	(1.86)	6.20
Non-cash adjustments - Fair value adjustments	-	(3.15)
Net debt as at 31 March	**5.92**	**6.02**

18. Provisions

	Non-current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits obligation (refer note 33)	4.42	9.95	12.50	10.01
Total	**4.42**	**9.95**	**12.50**	**10.01**

(Amount in ₹ crores, unless otherwise stated)

19. A) Deferred tax liabilities (net)

		As at 31 March 2018	As at 31 March 2017
(a)	Deferred tax liability on:		
	Difference between book balance and tax balance of property, plant and equipment	111.33	102.41
		111.33	102.41
(b)	Deferred tax asset on:		
	Provision for compensated absences	3.75	3.23
	Others	3.12	0.10
		6.87	3.33
	Deferred tax liabilities (net)	**104.46**	**99.08**

Movements in deferred tax liabilities and deferred tax assets:

	Property, plant and equipment	Compensated absences	Other provisions	Total
As at 1 April 2016	**86.80**	**(2.56)**	**0.27**	**84.51**
Charged/(credited) to the statement of profit or loss	15.61	(0.67)	(0.01)	14.93
(Credited) to other comprehensive income	-	-	(0.36)	(0.36)
As at 31 March 2017	**102.41**	**(3.23)**	**(0.10)**	**99.08**
Charged/(credited) to the statement of profit or loss	8.92	(0.52)	(2.94)	5.46
Charged/(credited) to other comprehensive income	-	-	(0.08)	(0.08)
As at 31 March 2018	**111.33**	**(3.75)**	**(3.12)**	**104.46**

19. B) Income-tax expense

		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Income-tax expense debited to statement of profit and loss**		
	Current tax		
	Current tax on profits for the year	124.00	122.10
	Adjustment of tax relating to earlier periods	(0.22)	0.07
	Total current tax expense	123.78	122.17
	Deferred tax		
	Deferred tax charge for the year	5.45	14.93
		5.45	14.93
	Total tax expense	**129.23**	**137.10**
(b)	**Income-tax expense (credited) to other comprehensive income**		
	Deferred tax		
	Deferred tax (credit) for the year	(0.08)	(0.36)
		(0.08)	(0.36)
(c)	**Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**		
	Profit before tax	381.55	407.26
	Tax at the Indian tax rate of 34.608% (31 March 2017: 34.608%)	132.05	140.94
	Adjustments in respect of current income tax of previous years	(0.22)	0.07
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Expenses not allowed as deduction	1.38	1.18
	Deductions not leading to timing differences	(4.24)	(4.77)
	Exempt income	-	(0.32)
	Impact of change in effective tax rate in brought forward tax liability	0.27	-
	Income-tax expense	**129.24**	**137.10**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

20. Trade payables

	As at 31 March 2018	As at 31 March 2017
Trade payables (including acceptances)	181.73	207.84
Total	**181.73**	**207.84**

Note:

a) The carrying values of trade payables are considered to be a reasonable approximation of fair value.
b) Acceptances include arrangements where operational suppliers of goods and services are initially paid by banks while the Company continues to recognise the liability till settlement with the banks which are normally effected within a period of 90 days.
c) Disclosure with respect to related party transactions is given in note 37.
d) The above trade payables includes the amount due to micro and small enterprises (refer note 39).

21. Other financial liabilities

	As at 31 March 2018	As at 31 March 2017
Current maturities of long term debt (refer note 17)	-	0.26
Unclaimed dividends*	1.69	1.51
Interest bearing deposits from customers	10.68	9.03
Security deposits	10.88	11.49
Creditors for expenses	23.92	20.76
Outstanding liabilities	22.93	17.55
Creditors for capital goods	14.60	24.74
Total	**84.70**	**85.34**

* Not due for deposit to the Investor Education and Protection Fund

22. Other current liabilities

	As at 31 March 2018	As at 31 March 2017
Advance received from customers	12.79	13.87
Statutory dues payable	32.18	35.92
Deferred government grant	3.15	-
Total	**48.12**	**49.79**

23. Current tax liabilities (net)

	Year ended 31 March 2018	Year ended 31 March 2017
Current tax liabilities (net)	6.70	7.12
Total	**6.70**	**7.12**

24. Revenue from operations

	Year ended 31 March 2018	Year ended 31 March 2017
Sale of products (including excise duty)		
Tiles	2,624.85	2,716.60
Power	1.39	1.38
	2,626.24	2,717.98
Other operating revenues	2.01	2.13
Total	**2,628.25**	**2,720.11**

Note:

1) Sale of goods includes excise duty collected from customers of ₹47.57 crore (31 March 2017: ₹192.15 crore).
2) Consequent of introduction of Goods and Service Tax (GST) with effect from 1 July 2017, Central excise, Value Added Tax (VAT) etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 (Ind AS 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, the figures for the year ended 31 March 2018 are not strictly comparable with previous year.

Notes on the standalone financial statement for the year ended 31 March 2018
(Amount in ₹ crores, unless otherwise stated)

25. Other income

	Year ended 31 March 2018	Year ended 31 March 2017
Interest income on:		
Loan to subsidiaries	13.53	14.23
Fixed deposits with banks	3.24	1.04
Other financial assets carried at amortised cost	0.35	0.45
Dividend income	-	0.92
Net gain on foreign currency transaction and translation	-	2.67
Other non-operating income	6.39	6.03
Total	**23.51**	**25.34**

26. Cost of materials consumed

	Year ended 31 March 2018	Year ended 31 March 2017
Body material	218.09	181.07
Glaze, frits and chemicals	158.04	137.15
Packing material consumed	107.02	85.73
Total	**483.15**	**403.95**

27. Changes in inventories of finished goods, stock in trade and work-in-progress

	Year ended 31 March 2018	Year ended 31 March 2017
Opening balance		
Finished goods	143.70	129.14
Stock-in-trade	17.04	18.69
Work-in-progress	7.18	7.24
Total	**167.92**	**155.07**
Finished goods used for fixed assets	**-**	**0.02**
Closing balance		
Finished goods	159.35	143.70
Stock-in-trade	6.00	17.04
Work-in-progress	9.53	7.18
Total	**174.88**	**167.92**
	(6.96)	**(12.87)**

28. Employee benefits expense

	Year ended 31 March 2018	Year ended 31 March 2017
Salaries, wages and bonus	228.60	205.02
Contribution to provident and other funds (refer note 33)	13.23	9.70
Share based payments to employees (refer note 40)	1.74	1.87
Staff welfare expenses	3.97	3.93
Total	**247.54**	**220.52**

29. Finance costs

	Year ended 31 March 2018	Year ended 31 March 2017
Interest	3.81	2.91
Other borrowing cost	0.67	0.63
Total	**4.48**	**3.54**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

30. Depreciation and amortisation expense

	Year ended 31 March 2018	Year ended 31 March 2017
Depreciation on property, plant and equipment (refer note 4)	61.06	52.45
Amortisation of intangible assets (refer note 5)	0.70	0.75
	61.76	**53.20**

31. Other expenses

	Year ended 31 March 2018	Year ended 31 March 2017
Rent	16.47	13.22
Rates and taxes	0.76	0.79
Traveling and conveyance	27.21	25.13
Insurance charges	2.64	2.68
Legal and professional charges	3.97	2.48
Payment to auditors as:		
- auditor	0.35	0.30
- for other services	0.20	0.21
Stores and spares consumed	51.16	53.10
Power and fuel	335.66	266.04
Excise duty variance on opening and closing inventories	(26.05)	1.01
Repairs and maintenance:		
- Buildings	4.72	5.78
- Plant and equipment	10.17	9.24
- Others	3.64	3.03
Packing freight and forwarding expenses	28.56	32.70
Advertisement, publicity and sales promotion	94.96	73.41
Sales commission	13.16	18.30
Loss on disposal of property, plant and equipment	0.95	3.86
Provision for expected credit loss	0.66	0.34
Corporate social responsibility expenditure (refer note 47)	3.98	3.37
Net loss on foreign currency transaction and translation	0.14	-
Research and development expenses (refer note 46)	16.77	10.90
Miscellaneous expenses	19.86	18.95
	609.94	**544.84**

32. Earnings per share

	Year ended 31 March 2018	Year ended 31 March 2017
Profit attributable to equity holders of the Company for basic earnings (₹ in crore) for the year	252.32	270.16
Weighted average number of equity shares in calculating basic earnings per share (Nos.)	158,940,022	158,938,000
Weighted average number of equity shares in calculating diluted earnings per share (refer note below) (Nos.)	159,332,722	159,356,000
Earnings per share		
- Basic (₹)	15.88	17.00
- Diluted (₹)	15.83	16.95

Note: Weighted average number of equity shares used as denominator

	No. of shares	
	31 March 2018	31 March 2017
Weighted average number of equity shares used as denominator in calculating basic earnings per shares	158,940,022	158,938,000
Adjustments for calculation of diluted earnings per share:		
- Options	3,92,700	418,000
Weighted average number of equity shares and potential equity shares used as denominator in calculating diluted earnings per share	**159,332,722**	**159,356,000**

33. Employee benefits

The Company has following post-employement benefit plans:

a) **Defined contribution plan**
Retirement benefits in the form of provident fund, superannuation fund and national pension scheme are defined contribution schemes. The Company has no obligation, other than the contribution payable to the provident fund. The Company's contribution to the povident fund is ₹7.13 crore (31 March 2017: ₹6.02 crore)

b) **Defined benefit plans - Gratuity (Funded)**
The Company has defined benefit gratuity plan for its employees where annual contributions are deposited to an insurer to provide gratuity benefits by taking a scheme of insurance, whereby these contributions are transferred to the insurer. Gratuity is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Company makes provision of such gratuity asset/liability in the books of accounts on the basis of actuarial valuation as per the projected unit credit method. Plan assets also include investments and bank balances used to deposit premiums until due to the insurance company.

The following tables summarise the components of net benefit expense recognised in the statement of profit & loss and the funded status and amounts recognised in the balance sheet for the gratuity plan:

Changes in the present value of the defined benefit obligation are, as follows:

	As at 31 March 2018	As at 31 March 2017
Defined benefit obligation at the beginning of the year	**26.02**	**20.32**
Current service cost	2.93	2.63
Interest cost	2.02	1.52
Benefits paid	(1.14)	(0.83)
Actuarial loss on obligations	0.10	2.38
Past service cost	1.19	-
Defined benefit obligation at the end of the year	**31.12**	**26.02**

Changes in the fair value of plan assets are, as follows:

	As at 31 March 2018	As at 31 March 2017
Fair value of plan assets at the beginning of the year	**15.40**	**10.34**
Contribution by employer	9.60	3.76
Benefits paid	(1.14)	(0.83)
Expected return on plan assets	1.19	0.78
Acturial gain/(loss) on plan asset	(0.13)	1.35
Fair value of plan assets at the end of the year	**24.92**	**15.40**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

Reconciliation of fair value of plan assets and defined benefit obligation:

	As at 31 March 2018	As at 31 March 2017
Fair value of plan assets	24.92	15.40
Defined benefit obligation	31.12	26.02
Amount recognised in the Balance Sheet (Refer Note 18)	**6.20**	**10.62**
Current	1.78	0.67
Non current	4.42	9.95

Amount recognised in Statement of Profit and Loss:

	As at 31 March 2018	As at 31 March 2017
Current service cost	2.93	2.63
Interest expense	2.02	1.52
Expected return on plan asset	(1.19)	(0.78)
Past service cost	1.19	-
Amount recognised in Statement of Profit and Loss	**4.95**	**3.37**

Breakup of actuarial gain/loss

	As at 31 March 2018	As at 31 March 2017
Actuarial (gain)/loss arising from changes in financial assumptions	(1.40)	2.38
Actuarial loss/(gain) arising from experience adjustments	1.63	(1.35)
Amount recognised in Other Comprehensive Income	**0.23**	**1.03**

The major categories of plan assets of the fair value of the total plan assets are as follows:

Gratuity	As at 31 March 2018	As at 31 March 2017
Investment Details	**Funded**	**Funded**
Investment with gratuity funds	100%	100%

The principal assumptions used in determining gratuity liability for the Company's plans are shown below:

	As at 31 March 2018	As at 31 March 2017
Discount rate	7.75%	7.50%
Expected rate of return on plan assets	7.75%	7.50%
Future salary increases	8.75%	8.50%
Attrition rate:-		
18-30 years	2.00%	1.00%
30-44 years	2.00%	1.00%
44-58 years	1.00%	1.00%
Retirement age	58 years	60 years
Mortality	IALM 2006-08 Ultimate	

Note:

a) The discount rate is based upon the market yield available on government bonds at the accounting date relevant to currency of benefits payments for a term that matches the liability.

b) The estimates for future salary increase rate taxes amount of inflation, seniority, promotion, business plan, human resource policy and other relevant factors on long term basis.

A quantitative sensitivity analysis for significant assumption as at 31 March 2018 and 31 March 2017 is as shown below:

Gratuity plan	Sensitivity level		Impact on Defined Benefit Obligation	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Assumptions				
Discount rate	+1%	+1%	(3.11)	(3.18)
	-1%	-1%	3.67	3.82
Future salary increases	+1%	+1%	3.58	3.72
	-1%	-1%	(3.10)	(3.15)
Withdrawal rate	+1%	+1%	(0.28)	(0.31)
	-1%	-1%	0.31	0.35

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. Sensitivities due to mortality and withdrawals are insignificant and hence ignored.

Sensitivities as to rate of inflation, rate of increase of pensions in payments, rate of increase of pensions before retirement & life expectancy are not applicable being a lump sum benefit on retirement.

The following payments are expected contributions to the defined benefit plan in future years (In absolute terms i.e. undiscounted):

	As at 31 March 2018	As at 31 March 2017
Within the next 12 months (next annual reporting period)	1.40	0.60
Between 2 and 5 years	5.26	1.79
Beyond 5 years	21.59	20.80
Total expected payments	**28.25**	**23.19**

The average duration of the defined benefit plan obligation at the end of the reporting period is 13 years (31 March 2017: 16 years).

c) Other long-term benefits - Compensated absences (unfunded)

	Year ended 31 March 2018	Year ended 31 March 2017
Amounts recognised in the balance sheet	10.72	9.34

34. Operating lease commitments - Company as a lessee

The Company has taken various commercial premises under operating leases. These leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are re-negotiated. Rent amounting to ₹16.47 crore (31 March 2017: ₹13.22 crore) has been debited to the Statement of Profit and Loss during the year. The future minimum lease payments are as follows:

	As at 31 March 2018	As at 31 March 2017
Not later than one year	2.30	1.05
Later than one year but not later than five years	2.55	1.62
Later than five years	-	-

35. Commitments, contingencies and litigations

	As at 31 March 2018	As at 31 March 2017
(a) Commitments		
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	6.73	3.42
(b) Contingent liabilities		
i) Corporate Guarantees given	157.08	243.23
ii) Claims against the Company not acknowledged as debt		
In respect of Value added tax, Service Tax and Custom Duty Demands pending before various authorities and in dispute	6.48	0.23
Others	1.91	1.78

The Company is contesting the above demands and the management, including its solicitor, believe that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. The Company has certain litigations involving customers, vendors and suppliers and based on legal advice of in-house legal team, the management believes that no material liability will devolve on the Company in respect of these litigations.

36. During the year, the Company has sold off its 46% stake in Taurus Tiles Private Limited pursuant to which it ceased to be a subsidiary of the Company. The Company has recognised a loss of ₹3.61 crore on sale of its investments in Taurus Tiles Private Limited. As on 31 March 2018, the Company holds 5% stake in Taurus Tiles Private Limited which has been measured at Fair Value through Other Comprehensive Income. The Company has recognised loss of ₹0.47 crore on balance investment of 5% in Taurus Tiles Private Limited.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

37. Related party disclosures

A. List of related parties

(a) List entities substantially owned directly or indirectly by the Company:
Direct subsidiaries:

S. No.	Name	Country of Incorporation	Ownership Interest of Kajaria Ceramics Limited (%)	
			31 March 2018	31 March 2017
1	Soriso Ceramic Private Limited	India	51%	51%
2	Jaxx Vitrified Private Limited	India	82%	61%
3	Vennar Ceramics Limited	India	51%	51%
4	Cosa Ceramics Private Limited	India	51%	51%
5	Kajaria Floera Ceramics Private Limited (formerly known as Floera Ceramics Private Limited)	India	70%	51%
6	Kajaria Bathware Private Limited	India	100%	100%
7	Taurus Tiles Private Limited (till 29 June 2017)	India	NA*	51%

* ceased to be a subsidiary during the year.

Indirect subsidiaries:
Subsidiries of wholly owned subsidiary, Kajaria Bathware Private Limited (where control exists):

S. No.	Name	Country of Incorporation	Ownership Interest of Kajaria Ceramics Limited (%)	
			31 March 2018	31 March 2017
1	Kajaria Sanitaryware Private Limited	India	82%	82%

(b) Key management personnel:

S. No.	Name	Designation
1	Mr. Ashok Kajaria	Chairman and Managing Director
2	Mr. Chetan Kajaria	Joint Managing Director
3	Mr. Rishi Kajaria	Joint Managing Director
4	Mr. D.D. Rishi	Non-Executive Director (w.e.f. 1 July 2017)
5	Mr. B.K. Sinha	Whole Time Director
6	Mr. R.K.Bhargava	Independent Director
7	Mr. R. R. Bagri	Independent Director
8	Mr. D. P. Bagchi	Independent Director
9	Mr. H.R. Hegde	Independent Director
10	Mrs. Susmita Singha	Independent Director

(c) Enterprises owned by Key Management Personnel or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise:-

S. No.	Name
1	Dua Engineering Works Private Limited
2	Malti Devi Kajaria Foundation
3	Kajaria Ceramics Employees Gratuity trust

Details relating to remuneration of Key Managerial Personnel

Name of KMP	Year ended 31 March 2018		Year ended 31 March 2017	
	Short-term employee benefits	Sitting fees	Short-term employee benefits	Sitting fees
Sh. Ashok Kajaria	4.13	-	3.75	-
Sh. Chetan Kajaria	7.38	-	7.21	-
Sh. Rishi Kajaria	7.38	-	7.21	-
Sh. D.D. Rishi	0.23	0.02	0.85	-
Sh. B.K. Sinha	0.70	-	0.63	-
Sh. R.K.Bhargava	-	0.04	-	0.04
Sh. R. R. Bagri	-	0.04	-	0.04
Sh. D. P. Bagchi	-	0.04	-	0.04
Sh. H.R. Hegde	-	0.03	-	0.03
Smt. Susmita Singha	-	0.03	-	0.02

(Amount in ₹ crores, unless otherwise stated)

The following transactions were carried out with related parties in the ordinary course of business:-

Particulars	Year ended 31 March 2018		Year ended 31 March 2017	
	Subsidiaries	Enterprises over which KMP or their relatives are able to exercise significant influence	Subsidiaries	Enterprises over which KMP or their relatives are able to exercise significant influence
Purchase of goods				
Soriso Ceramic Private Limited	50.67	-	71.41	-
Jaxx Vitrified Private Limited	227.52	-	314.74	-
Cosa Ceramics Private Limited	166.33	-	182.12	-
Vennar Ceramics Limited	61.84	-	80.89	-
Taurus Tiles Private Limited	10.13	-	55.73	-
Total	**516.49**	**-**	**704.89**	**-**
Sale of products				
Vennar Ceramics Limited	-	-	0.04	-
Jaxx Vitrified Private Limited	0.31	-	-	-
Total	**0.31**	**-**	**0.04**	**-**
Rent paid				
Dua Engineering Works Private Limited	-	1.67	-	1.93
Vennar Ceramics Limited	0.01	-	0.04	-
Total	**0.01**	**1.67**	**0.04**	**1.93**
Service charges paid				
Dua Engineering Works Private Limited	-	-	-	0.83
Total	**-**	**-**	**-**	**0.83**
Recovery of expenses				
Kajaria Bathware Private Limited	0.31	-	0.42	-
Total	**0.31**	**-**	**0.42**	**-**
Donation paid				
Malti Devi Kajaria Foundation	-	0.44	-	0.37
Total	**-**	**0.44**	**-**	**0.37**
Rent received				
Kajaria Bathware Private Limited	0.36	-	0.14	-
Total	**0.36**	**-**	**0.14**	**-**
Dividend received				
Soriso Ceramic Private Limited	-	-	0.92	-
Total	**-**	**-**	**0.92**	**-**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

Particulars	Year ended 31 March 2018		Year ended 31 March 2017	
	Subsidiaries	Enterprises over which KMP or their relatives are able to exercise significant influence	Subsidiaries	Enterprises over which KMP or their relatives are able to exercise significant influence
Interest received				
Soriso Ceramic Private Limited	0.02	-	0.02	-
Vennar Ceramics Limited	0.97	-	0.59	-
Cosa Ceramics Private Limited	0.39	-	0.43	-
Taurus Tiles Private Limited	-	-	1.65	-
Kajaria Bathware Private Limited	3.93	-	3.47	-
Jaxx Vitrified Private Limited	7.88	-	8.07	-
Kajaria Floera Ceramics Private Limited	0.34	-	-	-
Total	**13.53**	**-**	**14.23**	**-**
Purchase/subscription of shares of subsidiary company				
Kajaria Bathware Private Limited	-	-	-	-
Jaxx Vitrified Private Limited	6.39	-	-	-
Vennar Ceramics Limited	4.59	-	-	-
Kajaria Floera Ceramics Private Limited	3.61	-	-	-
Total	**14.59**	**-**	**-**	**-**
Loan given				
Soriso Ceramic Private Limited	-	-	7.00	-
Jaxx Vitrified Private Limited	25.89	-	10.00	-
Vennar Ceramics Limited	8.70	-	2.95	-
Taurus Tiles Private Limited	-	-	4.50	-
Kajaria Bathware Private Limited	137.06	-	58.95	-
Cosa Ceramics Private Limited	-	-	10.00	-
Kajaria Floera Ceramics Private Limited	12.31	-	-	-
Kajaria Ceramics Employee Gratuity Trust	-	1.27	-	0.07
Total	**183.96**	**1.27**	**93.40**	**0.07**
Loan repaid				
Jaxx Vitrified Private Limited	10.89	-	1.00	-
Cosa Ceramics Private Limited	10.00	-	-	-
Kajaria Bathware Private Limited	114.24	-	37.00	-
Taurus Tiles Private Limited	5.00	-	9.50	-
Vennar Ceramics Limited	5.07	-	-	-
Kajaria Floera Ceramics Private Limited	2.51	-	-	-
Soriso Ceramic Private Limited	7.00	-	-	-
Kajaria Ceramics Employee Gratuity Trust	-	1.14	-	0.06
Total	**154.71**	**1.14**	**47.50**	**0.06**

(Amount in ₹ crores, unless otherwise stated)

Particulars	Year ended 31 March 2018		Year ended 31 March 2017	
	Subsidiaries	Enterprises over which KMP or their relatives are able to exercise significant influence	Subsidiaries	Enterprises over which KMP or their relatives are able to exercise significant influence
Balances outstanding at year end:				
Loan given				
Soriso Ceramic Private Limited	-	-	7.00	-
Jaxx Vitrified Private Limited	97.50	-	82.50	-
Vennar Ceramics Limited	12.17	-	8.54	-
Cosa Ceramics Private Limited	3.50	-	13.50	-
Kajaria Sanitaryware Private Limited	-	-	-	-
Taurus Tiles Private Limited	-	-	12.89	-
Kajaria Bathware Private Limited	85.00	-	62.18	-
Kajaria Floera Ceramics Private Limited	9.80	-	-	-
Kajaria Ceramics Employee Gratuity Trust	-	0.20	-	0.07
Total	**207.97**	**0.20**	**186.61**	**0.07**
Trade payables				
Jaxx Vitrified Private Limited	(0.80)	-	9.36	-
Soriso Ceramic Private Limited	2.18	-	1.73	-
Vennar Ceramics Limited	1.11	-	0.65	-
Taurus Tiles Private Limited	-	-	4.75	-
Cosa Ceramics Private Limited	9.80	-	11.50	-
Total	**12.29**	**-**	**27.99**	**-**
Guarantees outstanding at year end				
Jaxx Vitrified Private Limited	36.63	-	117.91	-
Soriso Ceramic Private Limited	-	-	9.00	-
Vennar Ceramics Limited	15.05	-	15.05	-
Taurus Tiles Private Limited	-	-	25.61	-
Cosa Ceramics Private Limited	21.26	-	48.14	-
Kajaria Sanitaryware Private Limited	13.53	-	17.52	-
Kajaria Bathware Private Limited	45.00	-	10.00	-
Total	**131.47**	**-**	**243.23**	**-**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

38. Segment information

According to Ind AS 108 'Operating Segment', identification of operating segments is based on Chief Operating Decision Maker ('CODM') approach for making decisions about allocating resources to the segment and assessing its performance. In Company, the decision makers view the operating results internal division wise (Ceramic, Glazed, Polished). Accordingly, such segments may be presented under Ind AS 108. However, these segments have been aggregated because the core principles, economic characteristics, nature of products, production process, distribution method, regulatory environment and type of customers in all the divisions are similar. Hence the disclosure requirement of Ind AS 108 is not considered applicable.

39. Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 are provided as under, to the extent the Company has received intimation from the 'Suppliers' regarding their status under the Act.

Particulars	As at 31 March 2018	As at 31 March 2017
i) Principal amount and the interest due thereon remaining unpaid to each supplier at the end of each accounting year (but within due date as per the MSMED Act)		
Principal amount due to micro and small enterprises	18.44	15.28
Interest due on above	-	-
ii) Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during the period	-	-
iii) Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006	-	-
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
v) Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

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.

40. Share Based Payments

Kajaria Ceramics Employee Stock Option Plan, 2015 ('ESOP 2015' or the 'Plan') was approved by the Board of Directors and the shareholders of the Company on 7 September 2015. The plan entitles employees of the Company and its subsidiaries to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. A description of the share based payment arrangement of the Company is given below:

Particulars	Kajaria Ceramics Employee Stock Option Plan 2015
Exercise Price	₹425
Vesting conditions	45,800 options 24 months after the grant date ('First vesting')
	91,600 options 36 months after the grant date ('Second vesting')
	137,400 options 48 months after the grant date ('Third vesting')
	183,200 options 60 months after the grant date ('Fourth vesting')
Exercise period	Stock options can be exercised within a period of 8 years from grant date.
Number of share options granted	4,58,000

Stock options will be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹850 per option which is 7.42 % below the stock price i.e. ₹918.10 per share on the date of grant, i.e. 20 October 2015.

(Amount in ₹ crores, unless otherwise stated)

During the year ended 31 March 2017, face value of equity shares of the Company was sub-divided to ₹1 per share from ₹2 per share. Accordingly, the exercise price also reduced to ₹425 per share from ₹850 per share and number of stock options increased to 458,000 equity shares from 229,000 equity shares. The number and weighted average exercise price of share options are as follows:

Particulars	Number of options	Weighted average exercise price per option
At 1 April 2016	229,000	425.00
Share split during the year (refer note 15)	229,000	425.00
Forfeited during the year	(40,000)	425.00
At 31 March 2017	**418,000**	**425.00**
Exercisable as at 31 March 2017	**418,000**	
Weighted average remaining contractual life (in years)	**6.55**	
At 1 April 2017	418,000	425.00
Forfeited during the year	(13,000)	425.00
Exercised during the year	(12,300)	425.00
At 31 March 2018	**392,700**	425.00
Exercisable as at 31 March 2018	**392,700**	
Weighted average remaining contractual life (in years)	**5.55**	

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair values of options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans along with other external inputs. Expected volatility has been determined by reference to the average volatility for comparable companies for corresponding option term. The following principal assumptions were used in the valuation:

Grant date	20 October 2015	20 October 2015	20 October 2015	20 October 2015
Vesting date	20 October 2017	20 October 2018	20 October 2019	20 October 2020
Expiry date	20 October 2023	20 October 2023	20 October 2023	20 October 2023
Fair value of option at grant date	260.22	310.20	354.01	392.99
Exercise price	425.00	425.00	425.00	425.00
Expected volatility of returns	27.63%	27.63%	27.63%	27.63%
Weighted average contractual life (in years)	2.5-5.5 years	2.5-5.5 years	2.5-5.5 years	2.5-5.5 years
Expected dividend yield	0.40%	0.40%	0.40%	0.40%
Risk free interest rate	7.15%-7.30%	7.15%-7.30%	7.15%-7.30%	7.15%-7.30%

41. Category wise classification of financial instruments

	As at 31 March 2018		As at 31 March 2017	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial assets				
Non-current				
(i) Investments	0.33	115.32	-	108.89
(ii) Loans	-	219.39	-	190.43
Current				
(i) Trade receivables	-	406.59	-	305.90
(ii) Cash and cash equivalents	-	75.62	-	47.16
(iii) Bank balances other than (ii) above	-	1.73	-	1.51
(iv) Loans	-	1.85	-	9.72
(v) Other financial assets	-	0.40	-	1.48
Total financial assets	**0.33**	**820.90**	**-**	**665.09**

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

	As at 31 March 2018		As at 31 March 2017	
	FVOCI	Amortised cost	FVOCI	Amortised cost
Financial liabilities				
Non-current				
(i) Borrowings	-	6.02	-	2.70
Current				
(i) Borrowings	-	5.92	-	7.78
(ii) Trade payables	-	181.73	-	207.84
(iii) Other financial liabilities	-	84.70	-	85.34
Total financial liabilities	**-**	**278.37**	**-**	**303.66**

The management assessed that fair value of short term financial assets and liabilities significantly approximate their carrying amounts largely due to the short term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company determines fair values of fianncial assets or liabilities by discounting the contractual cash inflows / outflows using prevailing interest rates of financial instruments with similar terms. The initial measurement of financial assets and financial liabilities is at fair value. Further, the subsequent measurements of all assets and liabilities (other then investments in mutual funds) is at amortised cost, using effective interest rate method.

The following methods and assumptions were used to estimate the fair values:

- The fair value of the Company's interest bearings borrowings are determined using discount rate that reflects the entity's discount rate at the end of the reporting period. The own non-performance risk as at the reporting period is assessed to be insignificant.
- The fair value of unquoted instruments and other financial assets and liabilities is estimated by discounting future cash flows using rates using rates currently applicable for debt on similar terms, credit risk and remaining maturities.

42. Fair value hierarchy

The following tables present financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There are no financial liabilities measured at Fair Value as at 31 March 2018 and 31 March 2017.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as on 31 March 2018 and 31 March 2017 as follows:

As at 31 March 2018

	Level 1	Level 2	Level 3	Total
Investments	-	-	0.33	0.33
Total	**-**	**-**	**0.33**	**0.33**

As at 31 March 2017

	Level 1	Level 2	Level 3	Total
Investments	-	-	-	-
Total	-	-	-	-

Valuation technique used to determine fair value:
Investments: Discounted Cash flow method using risk adjusted discount rate.

(Amount in ₹ crores, unless otherwise stated)

43. Financial risk management objectives and policies

The Company's activities expose it to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's senior management is supported by a Risk Management Compliance Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The management reviews and agrees policies for managing each of these risks, which are summarised below:

I. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include borrowings, trade payables, interest bearing deposits, loans and derivative financial instruments.

The sensitivity analyses of the above mentioned risk in the following sections exclude the impact of movements in market variables on the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. The analysis for contingent liabilities is provided in note 35.

A. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates. However the risk is very low due to negligible borrowings. The Company manages its interest rate risk by monitoring the movements in the market interest rates closely.

The sensitivity analysis below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting year and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

	Year ended 31 March 2018		Year ended 31 March 2017	
	Increase/ decrease in basis points	Effect on profit before tax	Increase/ decrease in basis points	Effect on profit before tax
INR	+50	(0.08)	+50	(0.06)
INR	-50	0.08	-50	0.06

B. Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in exchange rates. Foreign currency risk senstivity is the impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant.

	Year ended 31 March 2018		Year ended 31 March 2017	
	% change in rate	Effect on profit before tax	% change in rate	Effect on profit before tax
USD	+5%	(0.25)	+5%	0.07
	-5%	0.25	-5%	(0.07)
Euro	+5%	(0.11)	+5%	(1.08)
	-5%	0.11	-5%	1.08

The movement in the pre-tax effect on profit and loss is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in INR, where the functional currency of the entity is a currency other than INR.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

II. Credit risk

Credit risk refers to risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises primarily from financial assets such as trade receivables, other balances with banks, loans and other receivables. The Company has adopted a policy of only dealing with counterparties that have sufficiently high credit rating. The Company's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is reasonably spread amongst the counterparties.

The Company provides for expected credit losses on financial assets by assessing individual financial instruments for expectation of any credit losses. Since the assets have very low credit risk, and are for varied natures and purpose, there is no trend that the Company can draw to apply consistently to entire population. For such financial assets, the Company 's policy is to provides for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk. The Company does not have any expected loss based impairment recognised on such assets considering their low credit risk nature, though incurred loss provisions are disclosed under each sub-category of such financial assets. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at reporting date.

A. Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit review and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At the year end the Company does not have any significant concentrations of bad debt risk other than that disclosed in note 11.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 41. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

B. Financial instruments and cash deposits

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The management considers the credit quality of current accounts and deposits with banks to be good and reviews the banking relationships on an on–going basis.

The Company does not require any security in respect of the above financial assets. There are no impairment provisions as at each statement of financial position date against these financial assets, except as disclosed in respect of trade receivables above. The management considers that all the above financial assets that are not impaired or past due for each of the statement of financial position dates under review are of good credit quality.

III. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended 31 March 2018					
Borrowings*	5.92	-	-	6.02	11.94
Trade payables	181.73	-	-	-	181.73
Other financial liabilities	27.72	34.95	22.03	-	84.70
	215.37	**34.95**	**22.03**	**6.02**	**278.37**

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended 31 March 2017					
Borrowings*	7.90	0.14	-	2.70	10.74
Trade payables	205.16	2.68	-	-	207.84
Other financial liabilities	63.95	21.13	-	-	85.08
	277.02	**23.95**	**-**	**2.70**	**303.66**

* In absolute terms i.e. discounted and including current maturity portion

44. Capital Management

The Company's capital management objectives are:

a) to ensure the Company's ability to continue as going concern; and

b) to provide an adequate return to stakeholders

As at 31 March 2018, the Company has only one class of equity shares and has low debt. Consequent to such capital structure, there are no externally imposed capital requirements. In order to maintain or achieve an optimal capital structure, the Company allocates its capital for distribution as dividend or re-investment into business based on its long term financial plans.

45. Unhedged foreign currency exposure

The Company has no outstanding derivative instrument at the year end. The amount of foreign currency exposure that are not hedged by derivative instruments or otherwise are as under -

	As at 31 March 2018		As at 31 March 2017	
	Amount in foreign currency	Amount in ₹ crores	Amount in foreign currency	Amount in ₹ crores
Foreign trade payables				
USD (in crore)	0.08	5.02	0.03	2.08
EUR (in crore)	0.21	17.01	0.31	21.63

	As at 31 March 2018		As at 31 March 2017	
	Amount in foreign currency	Amount in ₹ crores	Amount in foreign currency	Amount in ₹ crores
Foreign trade receivables				
USD (in crore)	0.12	7.43	0.05	3.49
AUD (in crore)	0.01	0.72	-	-

46. Research and development expenditure

Research and Development expenditure incurred during the year ended 31 March 2018 and 31 March 2017 is as follows:

Particulars	31 March 2018	31 March 2017
Capital expenditure	0.80	0.09
Revenue expenditure	16.77	10.90

47. Corporate social responsibility ('CSR')

As per Section 135 of the Companies Act, 2013, Schedule VII and Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company was required to spend ₹6.70 crore (31 March 2017: ₹5.19 crore) for Corporate Social Responsibility activities. The company has incurred CSR expenditure of ₹3.98 crore during the current financial year (31 March 2017: ₹3.37 crore) on the projects/activities for the benefit of the public in general and in the neighborhood of the manufacturing facilities of the Company.

Notes on the standalone financial statement for the year ended 31 March 2018

(Amount in ₹ crores, unless otherwise stated)

		31 March 2018	31 March 2017
(i)	Construction/acquisition of any asset		
	Paid in cash	0.79	0.21
	Other than cash	0.30	-
(ii)	On purposes other than (i) above		
	Paid in cash	2.89	3.16
		3.98	3.37

48. Post reporting date events

No adjusting or significant non-adjusting event has occurred between 31 March 2018 and the date of authorisation of Company's standalone financial statements. However, the Board of Directors of the Company have recommended a final dividend of ₹3 per share (31 March 2017: ₹3 per share) on equity shares of ₹1 each for the year ended 31 March 2018, subject to the approval of shareholders at the ensuing annual general meeting.

49. Scheme of Arrangement

The Hon'ble National Company Law Tribunal, vide its order dated 22 February 2018, approved a Scheme of Arrangement (the 'Scheme') between the Company and Kajaria Securities Private Limited ('KSPL'). Pursuant to the Scheme, all the properties, assets, rights, claims and obligations of the erstwhile KSPL have been transferred and vested in the Company on a going concern basis. Pursuant to the Scheme, existing equity shares of the Company held by KSPL stand cancelled and the Company has issued 64,669,867 equity shares of ₹1 each to shareholders of erstwhile KSPL in proportion of their shareholding in KSPL and authorised share capital of KSPL has been transferred to the authorised share capital of the Company. Accordingly, authorised share capital of the Company has increased to ₹129.10 crore which consist of 520,000,000 equity shares of ₹1 each and 7,710,000 preference shares of ₹100 each.

Since there is no specific guidance for accounting of such arrangements under Indian Accounting Standards, accounting has been done as per the accounting treatment stated in the Scheme. Accordingly, the difference between the net assets acquired and reserves of KSPL that vested with the Company has been debited to capital reserves. The Company has acquired net assets amounting to ₹0.29 crore and reserves amounting to ₹66.49 crore and ₹66.20 crore has been debited to capital reserves. Further during the year ended 31 March 2017, dividend was distributed to KSPL amounting to ₹19.31 crore which has been adjusted against retained earnings.

50. The standalone financial statements for the year ended 31 March 2018 were approved by the Board of Directors on 8 May 2018.

As per our report of even date attached

For and on behalf of the Board of Directors

For **Walker Chandiok & Co LLP**
Chartered Accountants
FRN No. 001076N/N500013

per **Neeraj Sharma**
Partner

Place: New Delhi
Date: 8 May 2018

Ashok Kajaria
Chairman and Managing Director
(DIN: 00273877)

Ram Chandra Rawat
COO (A&T) and Company Secretary
(FCS No. 5101)

Chetan Kajaria
Joint Managing Director
(DIN: 00273928)

Rishi Kajaria
Joint Managing Director
(DIN: 00228455)

Sanjeev Agarwal
Chief Financial Officer