NOTES TO FINANCIAL STATEMENTS for the year ended March 31, 2018

Note 1: Corporate information

CEAT Limited is a public company domiciled in India and incorporated under the provisions of the Companies Act applicable in India. The Company's principal business is manufacturing of automotive tyres, tubes and flaps. The Company started operations in 1958 as CEAT Tyres of India Limited and was renamed as CEAT Limited in 1990. The Company caters to both domestic and international markets. The company's stock are listed on two recognised stock exchanges in India. The registered office of the company is located at RPG House, 463, Dr Annie Besant Road, Worli, Mumbai, Maharashtra 400030. The financial statements were authorised for issue in accordance with a resolution of the directors on April 30, 2018.

Note 2: Basis of preparation and summary of significant accounting policies

1. Basis of accounting and preparation of financial statements

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

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

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

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

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lacs as per the requirements of Schedule III of the Companies Act, 2013, unless otherwise stated. Wherever the amount represented '0' (zero) construes value less than Rupees fifty thousand.

2. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

3. Revenue recognition

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

Based on the educational material on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the company on its own account, revenue includes excise duty.

However, Sales Tax/Value Added Tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

With effect from July 1, 2017, Goods and Service Tax (GST) has been implemented which has replaced several indirect taxes, including excise duty. Paragraph 8 of Ind AS 18 Revenue states as below:

"Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity."

An entity collects GST on behalf of the government and not on its own account. Hence, it should be excluded from revenue, i.e., revenue should be net of GST.

Accordingly, effective July 1, 2017, sales are recorded net of GST, whereas earlier period sales were recorded gross of excise duty which formed part of expenses. Hence, revenue from operations for year ended March 31, 2018 is not comparable with previous year's corresponding figures.

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

Sale of goods

Revenue from the sale of goods (i.e. tyres, tubes and flaps) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.Revenue from the sale of tyres, tubes and flaps is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates, cash discounts, sales taxes and Value Added Taxes/GST. The Company provides normal warranty provisions for a period of three years on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold – see Note 22 for more information. The Company does not provide any extended warranties to its customers.

Interest income

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

Dividends

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

Royalty and technology development fees

Royalty and technology development fees income are accounted for as per the terms of contract.

4. Government grants and Export incentives

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

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at carrying amounts and released to profit and loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. 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 favourable interest is regarded as a government grant. The loan or assistance is initially recognised 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.

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

5. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in India where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in Statement of profit and loss or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

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

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

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

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

6. Non-current assets held for sale

The Company classifies non-current assets and disposal groups as held for sale/ distribution to owners if their carrying amounts will be recovered principally through a sale/ distribution rather than through continuing use. Actions required for completing the sale/ distribution should indicate that it is unlikely that significant change to the sale/ distribution will be made or that the decision to sell/ distribute will be withdrawn. Management must be committed to the sale/ distribution expected within one year from the date of classification.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Assets and liabilities classified as held for sale/ distribution are presented separately in the balance sheet.

Property, plant and equipment once classified as held for sale/ distribution to owners are not depreciated or amortised.

7. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is stated at cost. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit and loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 40 regarding significant accounting judgements, estimates and assumptions for further information about the recorded decommissioning provision.

Leasehold land – amortised on a straight line basis over the period of the lease ranging from 95 years – 99 years.

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following useful lives to provide depreciation on its fixed assets. The identified components are depreciated over their useful lives, the remaining asset is depreciated over the life of the principal asset.

Asset Class	Useful life
Buildings	50 years - 60 years
Plant & Machinery	15 years - 20 years
Moulds	6 years
Computers	3 years
Furniture & Fixtures	10 years
Office Equipment	5 years
Motor Vehicles	8 years
Carpeted Roads- RCC	10 years
Computer Servers	6 years
Electrical Installations	20 years
Hand Carts, Trollies	15 years

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

- Factory buildings - 50 years (Lower than those indicated in Schedule II of the Companies Act, 2013)
- Office buildings- 60 years (Higher than those indicated in Schedule II of the Companies Act, 2013)
- Plant & Machinery – 20 years (Higher than those indicated in Schedule II of the Companies Act, 2013)
- Moulds – 6 years (Lower than those indicated in Schedule II of the Companies Act,2013)
- Electrical Installations – 20 years (Higher than those indicated in Schedule II of the Companies Act,2013)
- Air conditioner having capacity of > 2 tons – 15 years (Higher than those indicated in Schedule II of the Companies Act,2013)
- Serviceable materials like trollies, iron storage tacks skids – 15 years (Higher than those indicated in Schedule II of the Companies Act,2013)
- Batteries used in fork lifts trucks - 5 years (Lower than those indicated in Schedule II of the Companies Act,2013)

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

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

8. Intangible assets

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

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

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

Intangible assets with infinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Intangible assets are amortised on straight line method as under:

- Software expenditure have been amortised over a period of three years.
- Technical Know-how and Brands are amortised over a period of twenty years.

Technical know-how and Brand
The Company has originally generated technical know-how and assistance for setting up of Halol radial plant. Considering the life of the underlying plant/facility, this technical know-how, is amortised on a straight line basis over a period of twenty years

The Company has acquired global rights of "CEAT" brand from the Italian tyre maker, Pirelli. Prior to the said acquisition, the Company was the owner of the brand in only a few Asian countries including India. With the acquisition of the brand which is renowned worldwide, new and hitherto unexplored markets will be accessible to the Company. The Company will be in a position to fully exploit the export market resulting in increased volume and better price realization. Therefore, the management believes that the Brand will yield significant benefits for a period of at least twenty years.

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

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

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

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

9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

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

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

10. Leases

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

For arrangements entered into prior to April 1, 2015, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessee

Finance lease

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

Operating lease

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

11. Inventories

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

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

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

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

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

12. Impairment of non-financial assets

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

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

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

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

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

13. Provisions

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

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

Warranty provisions

The estimated liability for warranty is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of obligations and management estimates regarding possible future incidence based on corrective actions on product failure. The timing of outflows will vary as and when the obligation will arise - being typically up to three years. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Decommissioning liability

The Company records a provision for decommissioning costs of land taken on lease at one of the manufacturing facility for the production of tyres. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

14. Retirement and other employee benefits

Defined contribution plan

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

Defined benefit plan

The Company has a defined benefit gratuity plan, which requires contribution to be made to a separately administered fund. The Company's liability towards this benefit is determined on the basis of actuarial valuation using Projected Unit Credit Method at the date of balance sheet.

Remeasurement, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurement is not reclassified to profit and loss in subsequent periods.

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

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

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

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Compensated absences

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

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

Termination benefits

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

15. Financial instruments

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Purchase or sale of financial asset that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

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

Debt instruments at amortised cost

A 'debt instrument' 'other financial assets as well' is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit and loss. The losses arising from impairment are recognised in the profit and loss. This category generally applies to trade and other receivables, loans and other financial assets.

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

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

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

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

Equity investments

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance

b) Financial assets that are debt instruments and are measured as at FVTOCI

c) Lease receivables under Ind AS 17

d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18

e) Loan commitments which are not measured as at FVTPL

f) Financial guarantee contracts which are not measured as at FVTPL

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

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

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

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

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

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

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit and loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Financial guarantee contracts

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

Derecognition

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

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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

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

Offsetting of financial instruments

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

16. Derivative financial instruments

The Company uses derivative financial instruments, such as forward currency contracts, to manage its foreign currency risks. These derivative instruments are designated as cash flow, fair value or net investment hedges and are entered into for period consistent with currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit and loss.

Fair value hedges

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

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

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit and loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income(OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit and loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in the statement of profit and loss.

Amounts recognised as OCI are transferred to statement of profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

17. Fair value measurement

The Company measures financial instruments, such as, derivatives, foreign denominated borrowings and assets, forward contracts at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

18. Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

19. Dividend distribution to equity holders

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

20. Foreign currencies

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

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

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

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

21. Earnings Per Share

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

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

22. Segment Reporting

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

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

23. Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non—occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

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

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

(₹ in lacs)

Particulars	Freehold land (refer foot note 2)	Leasehold land (Financial lease)	Buildings (refer foot note 1)	Plant and equipment (Owned)	Plant and equipment (Leased)	Furniture and Fixtures	Vehicles	Office equipments	Capital work in progress	Total
Gross carrying amount										
As at April 1, 2016	**41,723**	**5,382**	**29,641**	**1,22,480**	**34**	**932**	**579**	**902**	**21,345**	**2,23,018**
Additions	-	9	3,961	51,195	2	206	25	740	39,672	95,810
Disposals	-	-	(103)	(536)	-	-	(80)	-	-	(719)
Transfers/ capitalised	-	-	-	-	-	-	-	-	(56,140)	(56,140)
Adjustments during the year*	-	-	(1,262)	1,262	-	-	-	-	-	-
As at March 31, 2017	**41,723**	**5,391**	**32,237**	**1,74,401**	**36**	**1,138**	**524**	**1,642**	**4,877**	**2,61,969**
Additions	6,731	-	771	14,882	-	223	86	115	34,117	56,925
Disposals	-	-	(184)	(1,585)	(2)	(11)	(7)	(393)	-	(2,182)
Transfers/ capitalised	-	-	-	-	-	-	-	-	(22,808)	(22,808)
Adjustments during the year*	-	-	-	613	-	13	-	(450)	-	176
As at March 31, 2018	**48,454**	**5,391**	**32,824**	**1,88,311**	**34**	**1,363**	**603**	**914**	**16,186**	**2,94,080**
Accumulated Depreciation										
As at April 1, 2016	**-**	**72**	**968**	**8,619**	**1**	**91**	**113**	**105**	**-**	**9,969**
Depreciation for the year	-	75	1,130	11,603	2	117	89	216	-	13,232
Disposals	-	-	(34)	(106)	-	-	(31)	-	-	(171)
Adjustments during the year*	-	-	(9)	9	-	-	-	-	-	-
As at March 31, 2017	**-**	**147**	**2,055**	**20,125**	**3**	**208**	**171**	**321**	**-**	**23,030**
Depreciation for the year	-	75	1,241	13,109	-	156	95	283	-	14,959
Disposals	-	-	(77)	(767)	-	(4)	(6)	(389)	-	(1,243)
Adjustments during the year*	-	-	-	285	-	2	-	(120)	-	167
As at March 31, 2018	**-**	**222**	**3,219**	**32,752**	**3**	**362**	**260**	**95**	**-**	**36,913**
Net book value										
As at March 31, 2017	**41,723**	**5,244**	**30,182**	**1,54,276**	**33**	**930**	**353**	**1,321**	**4,877**	**2,38,939**
As at March 31, 2018	**48,454**	**5,169**	**29,605**	**1,55,559**	**31**	**1,001**	**343**	**819**	**16,186**	**2,57,167**

*Adjustments include regrouping of certain assets into other class of assets (Refer Note 4)

Net carrying amount

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Property, plant and equipment	2,40,981	2,34,062
Capital work in progress	16,186	4,877

1. Building includes ₹ 0.10 Lacs as at March 31, 2018 (As at March 31, 2017 ₹ 0.10 Lacs) being value of unquoted fully-paid shares held in various co-operative housing societies.

2. As a part of green field expansion plan, during the year the Company has acquired land of ₹ 6,731 lacs.

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

(₹ in lacs)

Particulars	Note No.	FY 2017-18 ₹ Lacs	FY 2016-17 ₹ Lacs
Finance Cost	34	459	1,437
Professional and consultancy charges	36	309	24
Miscellaneous expenses	36	66	1,928
Employee benefit expenses	33	468	254
Travelling & Conveyance	36	67	101
Total		**1,369**	**3,744**

4. As a part of expansion project at Halol-Phase II, during the year the Company has capitalised and commissioned assets of ₹ 2,364 lacs (March 31, 2017 ₹ 18,343 lacs). This has resulted in the installed capacity as on March 31, 2018 to 120 MT per day (March 31, 2017 76 MT per day).

5. As a part of ongoing expansion project at Halol-Phase III, during the year the Company has capitalised and commissioned assets of ₹ 79 lacs. The planned expansion of 208 MT per day is expected to be commissioned, in phase, by end of March 2020.

6. As a part of ongoing expansion project at Butibori, near Nagpur, Maharashtra, during the year the Company has capitalised and commissioned assets of ₹ 5,067 lacs (March 31, 2017 ₹ 22,996 lacs). This has resulted in the installed capacity as on March 31, 2018 to 91 MT per day (March 31, 2017 54 MT per day). The planned expansion of 120 MT per day is expected to be commissioned, in phase, by end of FY 2018-19.

7. The amount of borrowing cost capitalised during the year ended March 31, 2018 is ₹ 459 lacs (March 31, 2017: ₹ 1,437 lacs). The rate used to determine the amount of borrowing costs eligible for capitalisation is 7.79% (March 31, 2017: 8.89%) which is the effective interest rate of specific borrowings.

8. Refer note 20 for details on pledges and securities.

Note 4: Intangible assets

(₹ in lacs)

Particulars	Software	Brand (refer foot note 1)	Technical Knowhow (refer foot note 2)	Product development	Total
Gross carrying amount					
As at April 1, 2016	**1,310**	**4,404**	**704**	**-**	**6,418**
Additions	997	-	-	1,032	2,029
Disposals	-	-	-	-	-
As at March 31, 2017	**2,307**	**4,404**	**704**	**1,032**	**8,447**
Additions	543	-	-	394	937
Disposals	-	-	-	-	-
Adjustments during the year*	(176)	-	-	-	(176)
As at March 31, 2018	**2,674**	**4,404**	**704**	**1,426**	**9,208**
Amortization and Impairment					
As at April 1, 2016	**347**	**264**	**42**	**-**	**653**
Amortization during the year	603	265	41	60	969
Disposals	-	-	-	-	-
As at March 31, 2017	**950**	**529**	**83**	**60**	**1,622**
Amortization during the year	690	265	41	213	1,209
Disposals	-	-	-	-	-
Adjustments during the year*	(167)	-	-	-	(167)
As at March 31, 2018	**1,473**	**794**	**124**	**273**	**2,664**
Net Book Value					
As at March 31, 2017	**1,357**	**3,875**	**621**	**972**	**6,825**
As at March 31, 2018	**1,201**	**3,610**	**580**	**1,153**	**6,544**

*Adjustments include regrouping of certain assets into other class of assets (Refer Note 3)

1. In an earlier year, the Company has acquired global rights of “CEAT” brand from the Italian tyre maker, Pirelli. Prior to the said acquisition, the Company was the owner of the brand in only a few Asian countries including India. With the acquisition of the brand which is renowned worldwide, new and hitherto unexplored markets are accessible to the Company. The Company will be in a position to fully exploit the export market resulting in increased volume and price realization. Therefore, the management believes that the Brand will yield significant benefits for a period of at least twenty years.

2. The Company has acquired technical know-how and assistance from International Tire Engineering Resources LLC, for setting up of Halol radial plant. Considering the life of the underlying plant / facility, this technical know-how is amortized on a straight line basis over a period of twenty years.

Note 5: Investments

(₹ in lacs)

	Face Value	As at March 31, 2018	As at March 31, 2017
Non-current			
Unquoted equity shares (at amortised cost) (Non Trade)			
Investment in Subsidiaries			
1,00,00,000 (March 31, 2017: 1,00,00,000) equity shares of Associated CEAT Holdings Company (Pvt) Limited.	10 LKR	4,358	4,358
10,49,99,994 (March 31, 2017: 10,49,99,994) equity shares of CEAT AKKHAN Limited	10 Taka	3,717	3,717
94,16,350 (March 31, 2017: 94,16,350) equity shares of Rado Tyres Limited	₹ 4	9	9
1,80,49,960 (March 31, 2017: 1,10,49,960) equity shares of CEAT Specialty Tyres Limited	₹ 10	18,005	11,005
Investment in Associates			
100 (March 31, 2017: Nil) equity shares of Tyresnmore Online Private Limited	₹ 1	1	-
Investment in Others			
1,800 (March 31, 2017: 1,800) equity shares of Maestro Comtrade Private Limited	₹ 10	0	0
Unquoted preference shares (at amortised cost) (Non Trade)			
Investment in Subsidiaries			
15,10,000 (March 31, 2017: 3,50,000) 12.5% cumulative redeemable preference shares of Rado Tyres Limited	₹ 100	1,510	350
Investment in Associates			
50,855 (March 31, 2017: Nil) 0.001% compulsory convertible preference shares of Tyresnmore Online Private Limited	₹ 1	399	-
Aggregate value of unquoted investments		**27,999**	**19,439**

Note 6: Loans

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Non current (at amortised cost)		
Secured, considered good		
Security deposits	298	189
Unsecured, considered good		
Security deposits	6	6
Unsecured, considered doubtful		
Security deposits	128	92
Less: Provision made for doubtful deposits	(128)	(92)
Total	**304**	**195**

Note 7: Other financial assets

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Non current		
Unsecured, considered good		
At amortised cost		
Margin Money Deposits*	171	289
Unsecured, considered doubtful		
Receivables from subsidiaries (refer note 43)	209	228
Less: Provision for receivables	(209)	(228)
Total	**171**	**289**

* The margin deposits are for bank guarantees given to statutory authorities for period ranging between 3-5 years.

Note 8: Other non-current assets

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Capital advances	5,645	1,611
Security deposits with statutory authorities	1,496	713
Unsecured, considered doubtful		
Balances with government authorities and agencies	304	294
Less: Provision for doubtful balances	(304)	(294)
Total	**7,141**	**2,324**

Note:

Previous year figure of MAT credit entitlement have been reclassified from ‘Other Non-current assets’ to ‘Deferred tax liabilities’ to conform to current year’s classification.

Note 9: Inventories
(At cost or net realisable value, whichever is lower)

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
a) Raw materials	27,762	37,826
Goods in transit	8,114	4,894
	35,876	**42,720**
b) Work-in-progress	2,933	3,149
c) Finished goods	32,215	40,779
d) Stock in trade	1,118	2,035
Goods in transit	162	370
	1,280	**2,405**
e) Stores and spares	3,142	3,226
Goods in transit	50	65
	3,192	**3,291**
Total	**75,496**	**92,344**
Details of finished goods		
Automotive tyres	26,867	34,322
Tubes and others	5,348	6,457
Total	**32,215**	**40,779**

Note:

1) Cost of inventory recognised as an expense as at March 31, 2018 includes ₹ 808 lacs (March 31, 2017 ₹ 1,025 lacs) of write down in net realisable value with respect to slow moving stock as per Company’s policy.

2) Loans are secured by first pari passu charge on stock (includes raw materials, finished goods and work in progress) and book debts (refer note 20)

Note 10: Investments

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Current (at fair value through profit and loss)		
Investment in units of liquid mutual funds and debentures (quoted)		
a) Unit of Face value ₹100 each, fully-paid up		
5,18,176 (March 31, 2017: NIL) units of Aditya Birla Sun Life Floating Rate Fund - STP - Dir - Growth	1,202	-
b) Unit of Face value ₹1,000 each, fully-paid up		
NIL (March 31, 2017:15,158) units of Kotak Floater - Short - Term - Regular – Growth	-	404
NIL (March 31,2017:10,176) units of LIC MF Liquid Fund - Direct - Growth	-	300
36,767 (March 31, 2017: 39,191) units of SBI Premier Liquid Fund - Direct - Growth	1,002	1,000
29,246 (March 31, 2017: NIL) units of HDFC Liquid Fund - Direct - Growth	1,001	-
NIL (March 31, 2017: 93,77,051) units of Taurus Short - Term Income Fund - Direct - Growth	-	1,322
NIL (March 31, 2017: 32,940) units of UTI Money Market- Direct - Growth	-	601
3,34,470 (March 31, 2017: 1,33,384) units of ICICI Prudential Money Market Fund - Direct - Growth	801	300
c) Unit of Face value ₹1,00,000 each, fully-paid up		
NIL (March 31, 2017: 2,500) units of Reliance capital limited- Market linked debentures	-	2,500
Aggregate market value of quoted instruments	**4,006**	**6,427**

Note 11: Trade receivables

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Trade receivables from others	68,755	57,423
Trade receivables from related parties (refer note 43)	2,460	1,782
Total receivables	**71,215**	**59,205**

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Break-up for security details		
Secured, considered good*	24,819	22,769
Unsecured, considered good	46,396	36,436
Doubtful	2,129	3,291
Total	**73,344**	**62,496**
Allowance for doubtful debts	(2,129)	(3,291)
Total trade receivables	**71,215**	**59,205**

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

- No trade receivables are due from directors or other officers of the company either severally or jointly with any other person.
- For terms and conditions relating to related party receivables, refer note 43.
- Trade receivables are non-interest bearing within the credit period which is generally 30 to 60 days.

Note 12: Cash and cash equivalents

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Balances with Banks		
On current accounts	260	406
On remittance in transit	6,702	1,013
Cash on hand	2	6
Cash and cash equivalent as per statement of cash flow	**6,964**	**1,425**

Note 13: Bank balances other than cash and cash equivalents

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Balances held for unclaimed public fixed deposit and interest thereon (refer foot note a)	112	128
Balances unclaimed dividend accounts (refer foot note b)	225	194
Total	**337**	**322**

Notes

a) These balances are available for use only towards settlement of matured deposits and interest on deposits. Also includes ₹ 0.20 lacs (March 31, 2017 ₹ 0.20 lacs) outstanding for a period exceeding seven years, in respect of which a Government agency has directed to the Company to hold.

b) These balances are available for use only towards settlement of corresponding unpaid dividend liabilities.

Note 14: Loans

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Current (at amortised cost)		
Unsecured, considered good		
Advance receivable in cash	2	2
Loans to related parties (refer note 43)	4,900	5,000
Unsecured, considered doubtful		
Loans advances and deposits	163	163
Less: Provision for doubtful advances and deposits	(163)	(163)
Total	**4,902**	**5,002**

Note 15: Other financial assets

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Current		
Unsecured, considered good		
At amortised cost		
Advance receivable in cash	246	436
Other receivables*	392	66
Interest receivable	1	1
Receivable from subsidiaries/ joint ventures (refer note 43)	554	529
Unamortised premium on forward contract	-	123
Total	**1,193**	**1,155**

*Includes fair value of plan assets for gratuity (net) of ₹ 366 lacs (March 31, 2017: Nil) (refer note 41 for details).

Note 16: Other current assets

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good		
Advance receivable in kind or for value to be received	5,875	8,527
Balance with government authorities	4,095	7,504
Advance to employees	160	14
Prepaid expense	565	432
Unsecured, considered doubtful		
Advance receivable in kind or for value to be received	44	44
Less: Provision for doubtful advances	(44)	(44)
Total	**10,695**	**16,477**

Note 17: Equity share capital

	Equity shares		Preference Shares		Unclassified Shares	
	Numbers	₹ in lacs	Numbers	₹ in lacs	Numbers	₹ in lacs
Authorised share capital						
At April 1, 2016	4,61,00,000	4,610	39,00,000	390	1,00,00,000	1,000
Increase / (decrease) during the year	-	-	-	-	-	-
At March 31, 2017	4,61,00,000	4,610	39,00,000	390	1,00,00,000	1,000
Increase / (decrease) during the year	-	-	-	-	-	-
At March 31, 2018	**4,61,00,000**	**4,610**	**39,00,000**	**390**	**1,00,00,000**	**1,000**

Issued share capital

Equity shares of ₹ 10 each issued

	Numbers	(₹ in lacs)
At April 1, 2016 (refer foot note a)	4,04,50,780	4,045
Alloted during the year	-	-
At March 31, 2017 (refer foot note a)	4,04,50,780	4,045
Alloted during the year	-	-
At March 31, 2018 (refer foot note a)	**4,04,50,780**	**4,045**

Subscribed and Paid-up share capital

Equity shares of ₹ 10 each subscribed and paid-up

	Numbers	(₹ in lacs)
At April 1, 2016 (refer foot note a)	4,04,50,092	4,045
Alloted during the year	-	-
At March 31, 2017 (refer foot note a)	4,04,50,092	4,045
Alloted during the year	-	-
At March 31, 2018 (refer foot note a)	**4,04,50,092**	**4,045**

a) Includes 688 (March 31, 2017- 688) equity shares offered on right basis and kept in abeyance.

b) Terms/ rights attached to equity shares

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

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

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

c) Details of shareholders holding more than 5% shares in the company

Name of the shareholders	As at March 31, 2018		As at March 31, 2017	
	Numbers	% holding in the class	Numbers	% holding in the class
Equity shares of ₹ 10 each fully paid				
Instant Holdings Limited	1,15,10,812	28.46%	1,15,10,812	28.46%
Swallow Associates LLP	44,84,624	11.09%	44,84,624	11.09%
Jwalamukhi Investment Holdings	32,53,841	8.04%	32,53,841	8.04%

d) As per the records of the Company as at March 31, 2018 no calls remain unpaid by the directors and officers of the company.

e) The Company has not issued any equity shares as bonus for consideration other than cash and has not bought back any shares during the period of 5 years immediately preceeding March 31, 2018.

Note 18: Other equity

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Securities premium reserve (refer foot note a)	56,703	56,703
Capital reserve (refer foot note b)	1,177	1,177
Capital redemption reserve (refer foot note c)	390	390
Cash flow hedge reserve (refer foot note d)	476	(242)
Debenture redemption reserve (DRR) (refer foot note e)	5,001	3,334
General reserve (refer foot note f)	20,177	20,177
Retained earnings (refer foot note g)	1,66,713	1,45,031
Total other equity	**2,50,637**	**2,26,570**

a) Securities premium reserve

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

(₹ in lacs)

At April 1, 2016	56,703
At March 31, 2017	56,703
At March 31, 2018	**56,703**

b) Capital reserve

Capital reserve includes profit on amalgamation of entities.

(₹ in lacs)

At April 1, 2016	1,177
At March 31, 2017	1,177
At March 31, 2018	**1,177**

c) Capital redemption reserve

Capital redemption reserve represents amount transferred from profit and loss account on redemption of preference shares during FY 1998-99.

(₹ in lacs)

At April 1, 2016	390
At March 31, 2017	390
At March 31, 2018	**390**

d) Cash flow hedge reserve

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

(₹ in lacs)

At April 1, 2016	**4**
Gain / (Loss) arising during the year	(246)
At March 31, 2017	**(242)**
Gain / (Loss) arising during the year	718
At March 31, 2018	**476**

e) Debenture redemption reserve (DRR)

Debenture redemption reserve (DRR) is required to be created in accordance with section 71 of the Companies Act, 2013 read with Companies (Share capital and Debenture) Rules, 2014 at equivalent to 25% of the value of the debentures issued.

(₹ in lacs)

At April 1, 2016	**1,667**
Add: Transfer from retained earnings during the year	1,667
At March 31, 2017	**3,334**
Add: Transfer from retained earnings during the year	1,667
At March 31, 2018	**5,001**

f) General Reserve

The general reserve is used from time to time to transfer profits from retained earnings for appropriations purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to statement of profit and loss.

	(₹ in lacs)
At April 1, 2016	20,177
At March 31, 2017	20,177
At March 31, 2018	**20,177**

g) Retained earnings

	(₹ in lacs)
As at April 1, 2016	**1,10,742**
Profit for the year	36,273
Other comprehensive income	(317)
Transfer to debenture redemption reserve	(1,667)
As at March 31, 2017	**1,45,031**
Profit for the year	27,872
Other comprehensive income	682
Payment of dividend	(4,652)
Payment of Dividend Distribution Tax (DDT)	(553)
Transfer to debenture redemption reserve	(1,667)
As at March 31, 2018	**1,66,713**

Note 19: Distribution made and proposed

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Cash dividends on equity shares declared and paid		
Final dividend for the year ended on March 31, 2017(₹ 11.50 per share)	4,652	-
Dividend Distribution Tax (DDT) on final dividend	553	-
Total	**5,205**	**-**

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Proposed dividends on equity shares		
Final cash dividend for the year ended on March 31, 2018: ₹ 11.50 per share (March 31, 2017 ₹ 11.50 per share)	4,652	4,652
Dividend distribution tax (DDT) on proposed dividend	956	947
Total	**5,608**	**5,599**

Proposed dividends on equity shares which are subject to approval at the annual general meeting are not recognised as a liability (including Dividend Distribution Tax thereon) in the year in which it is proposed.

During the year ended March 31, 2018, the company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence, DDT paid is charged to equity.

Note 20: Borrowings
(At amortised cost)

(₹ in lacs)

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Interest bearing loans and borrowings				
I. Secured				
i) Debentures				
a) Non-convertible debentures (Refer foot note 1)	19,956	19,950	-	-
ii) Term loans				
a) Indian rupee loan from banks				
Export Import bank of India (Refer foot note 2)	-	10,834	-	-
Kotak Mahindra Bank Limited (Refer foot note 3)	-	2,943	-	-
HSBC Bank (Refer foot note 4)	-	6,978	-	997
b) Buyer's Credit (Refer foot note 5 and 6)	4,512	26,615	22,225	-
II. Unsecured				
i) Public deposits (Refer foot note 7)	0	0	-	-
ii) Deferred sales tax incentive (Refer foot note 8)	2,762	3,031	269	358
	27,230	**70,351**	**22,494**	**1,355**
Less: amount classified under other current financial liabilities (refer note 27)	-	-	(22,494)	(1,355)
Total	**27,230**	**70,351**	**-**	**-**

Notes to Borrowings:

1. Non-Convertible Debentures (NCD) ₹ 20,000 lacs (March 31, 2017: ₹ 20,000 lacs) allotted on July 31, 2015 on private placement basis are secured by a first pari passu charge over the movable assets (except current assets) and immovable assets of the Company situated at the Nasik Plant. As at March 31, 2018, the NCDs carry an interest at 8.65% p.a. and is repayable as under:

    - NCD Series 1: ₹ 1,000 lacs (5% of the issue amount) repayable on July 31, 2019
    - NCD Series 2: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2020
    - NCD Series 3: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2021
    - NCD Series 4: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2022
    - NCD Series 5: ₹ 4,000 lacs (20% of the issue amount) repayable on July 31, 2023
    - NCD Series 6: ₹ 4,000 lacs (20% of the issue amount) repayable on July 31, 2024
    - NCD Series 7: ₹ 2,000 lacs (10% of the issue amount) repayable on July 31, 2025

2. Term Loan from Export Import Bank of India (EXIM) NIL (March 31, 2017: ₹ 10,900 lacs) was pre-paid in full including interest thereon during the year. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) and immovable assets situated at the Halol plant and second pari passu charge on the current assets of the Company. It carried interest of 9.50% p.a at the time of repayment.

3. Term Loan from Kotak Mahindra Bank Limited NIL (March 31, 2017: ₹ 3,000 lacs) was pre-paid in full including interest thereon during the year. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) and immovable assets situated at Halol plant and second pari passu charge over the current assets of the Company. It carried interest of 8.60% p.a. at the time of repayment.

4. Term Loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) NIL (March 31, 2017: ₹ 8,000 lacs) was pre-paid in full including interest thereon during the year. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carried interest of 8.33% p.a. at the time of repayment.

5. Long-term buyer's credit (for Halol expansion project) is secured by way of first pari passu charge on all movable assets (excluding current assets) and immovable assets of the Company situated at Halol plant and second pari passu charge over the current assets of the Company. It is repayable within 3 years from the date of disbursement. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 35 bps p.a. to 12 months LIBOR plus 122 bps p.a. and 6 months LIBOR plus 52 bps p.a. to 6 months LIBOR plus 165 bps p.a. and 6 months EURIBOR plus 125 bps p.a. and 12 months EURIBOR plus 68 bps p.a. to 12 months EURIBOR plus 150 bps p.a. (Variation in range due to the movements in LIBOR/EURIBOR and the size of the deals.)

6. Long-term buyer's credit (for Nagpur project) is secured by way of first pari passu charge on all movable assets (excluding current Assets) and immovable assets of the Company situated at Nagpur plant. It is repayable within 3 years from the date of disbursement. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 20 bps p.a. to 12 months LIBOR plus 113 bps p.a. and 6 months LIBOR plus 50 bps p.a. to 6 months LIBOR plus 175 bps p.a. (Variation in range due to the movements in LIBOR/EURIBOR and the size of the deals.)

Unsecured long-term borrowings (includes noncurrent portion and current maturities)

7. Public deposits included under the long-term borrowings were pre-paid in full including interest thereon on September 30, 2016.

8. Interest-free deferred sales tax is repayable in ten equal annual instalment commencing from April 26, 2011 and ending on April 30, 2025.

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

Note 21: Other financial liabilities

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Non current		
At fair value through other comprehensive income		
Derivative financial instrument	177	1,520
At amortised cost		
Deposits	146	146
Total other financial liabilities	**323**	**1,666**

Note 22: Provisions

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Non-current provisions		
Provision for warranty (Refer foot note a)	886	777
Provision for compensated absences (Refer foot note b)	2,433	2,586
Provision for decommissioning liability (Refer foot note c)	61	55
	3,380	**3,418**
Current provisions		
Provision for warranty (Refer foot note a)	2,843	2,609
Provision for gratuity (refer note 41)	-	1,017
Provision for compensated absences (Refer foot note b)	313	278
Provision for indirect tax and labour matters (Refer foot note d)	1,858	1,556
	5,014	**5,460**

a) **Provision for warranty**

A provision is recognized for expected warranty claims on product sold during the last three years, based on past experience of the level of returns and cost of claim. It is expected that significant portion of these costs will be incurred in the next financial year and within three years from the reporting date. Assumptions used to calculate the provision for warranty were based on current sales levels and current information available about returns based on the three years warranty period for all products sold. The table below gives information about movement in warranty provision.

Movement in provision for warranty	(₹ in lacs)
As at April 1, 2016	**3,033**
Additions during the year	5,837
Utilised during the year	(5,484)
As at March 31, 2017	**3,386**
Additions during the year	5,520
Utilised during the year	(5,177)
As at March 31, 2018	**3,729**

b) **Compensated absences**

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

Movement in provision for compensated absences	(₹ in lacs)
As at April 1, 2016	**2,583**
Additions during the year	501
Utilised during the year	(220)
As at March 31, 2017	**2,864**
Additions during the year	161
Utilised during the year	(279)
As at March 31, 2018	**2,746**

c) **Provision for decommissioning liability**

The Company records a provision for decommissioning costs of land taken on lease at Nasik manufacturing facility for the production of tyres.

Movement in provision for decommissioning liability	(₹ in lacs)
As at April 1, 2016	**49**
Additions during the year	6
As at March 31, 2017	**55**
Additions during the year	6
As at March 31, 2018	**61**

d) **Indirect tax and labour matters**

The Company is party to various lawsuits that are at administrative or judicial level or in their intial stages, involving tax and civil matters. The Company contests all claims in the court / tribunals / appellate authority levels and based on their assessment and that of their legal counsel, records a provision when the risk or loss is considered probable. The outflow is expected on cessations of the respective events.

Movement in provision for Indirect tax and labour matters	(₹ in lacs)
As at April 1, 2016	**1,275**
Additions during the year	611
Utilised during the year	(330)
As at March 31, 2017	**1,556**
Additions during the year	784
Utilised during the year	(482)
As at March 31, 2018	**1,858**

Note 23: Income taxes and deferred taxes

The major components of income tax expense for the years ended March 31, 2018 and March 31, 2017 are

Balance Sheet

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Non current tax assets (net)		
Advance payment of tax (net of provision)	3,915	3,952
Current tax liabilities (net)		
Provision for income tax (net of advance tax)	2,867	2,057
Deferred tax liabilities (net)	17,815	13,459

Statement of profit and loss

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Tax Expense		
Current tax	10,408	11,445
Deferred tax	2,686	(1,053)
Income tax expense reported in the statement of profit and loss	**13,094**	**10,392**

Other Comprehensive Income (OCI) section

Deferred tax related to items recognised in OCI during the year

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Income tax effect on actuarial losses for Gratuity	(361)	167
Income tax effect on movement in cash flow hedges	(380)	131
Income tax expense/(income) charged to OCI	**(741)**	**298**

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2018 and March 31, 2017

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Accounting profit before tax from continuing operations	**40,966**	**46,665**
Income tax rate of 34.61% (31 March 2017: 34.61%)	14,178	16,150
Additional deduction on Research and Development (R&D) expense	(1,168)	(3,502)
Additional deduction on Investment Allowance	-	(2,225)
Income tax at special rates	(402)	(284)
Effect of exempt incomes	(40)	(0)
Others	125	(449)
Non-deductible expenses for tax purposes		
Depreciation on revaluation	187	251
Corporate Social Responsibility (CSR) expenses	185	175
Other non-deductible expenses	29	276
At the effective income tax rate of 31.96% (March 31, 2017: 22.27%)	**13,094**	**10,392**

Deferred tax

Deferred tax relates to the following

(₹ in lacs)

	Balance Sheet		Profit and Loss	
	As at March 31, 2018	As at March 31, 2017	2017-18	2016-17
Accelerated depreciation for tax purposes	(30,751)	(26,819)	3,932	7,870
MAT Credit entitlement *	7,245	6,842	(1,332)	(6,842)
Voluntary Retirement Scheme(VRS)	1,604	952	(652)	(198)
Provision for doubtful debts/advances	940	1,330	390	(636)
Others	3,147	4,236	348	(1,247)
Deferred tax expense/(income) **Net deferred tax assets/(liabilities)**	**(17,815)**	**(13,459)**	**2,686**	**(1,053)**

* Previous year figure have been reclassified from 'Other Non-current assets' to 'Deferred tax liabilities' to conform to current year's classification.

Reflected in the balance sheet as follows

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Deferred tax assets	12,936	13,360
Deferred tax liabilities	(30,751)	(26,819)
Deferred tax liabilities (net)	**(17,815)**	**(13,459)**

Reconciliation of deferred tax liabilities (net)

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Opening balance as at April 1	**(13,459)**	**(14,810)**
Tax income/(expense) during the period recognised in statement of profit and loss	(2,686)	1,053
Tax income/(expense) during the period recognised in other comprehensive income	(741)	298
MAT Credit Utilisation	(929)	-
Closing balance as at March 31	**(17,815)**	**(13,459)**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

Note 24: Deferred Revenue

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Opening balance	1,132	1,214
Released to Statement of Profit and Loss	(82)	(82)
Closing balance	**1,050**	**1,132**
Current	82	82
Non Current	968	1,050
Total	**1,050**	**1,132**

The deferred revenue relates to accrual of custom duty availed on import of plant and equipment for Halol Phase I under EPCG scheme. As at March 31, 2018 the estimated amount for deferred revenue amounted to ₹1,050 lacs (March 31, 2017: ₹ 1,132 lacs)

Note 25: Borrowings

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Current		
Secured		
Cash credit facilities from banks (repayable on demand) (Refer foot note a)	7,132	2,021
Export packing credit from banks (Refer foot note a)	1,955	1,297
Buyer's credit from banks (Refer foot note a)	5,277	-
Unsecured		
Commercial Paper(Refer foot note b)	-	2,481
Total	**14,364**	**5,799**

Note:

a) Cash credit facilities from banks, export packing credit from banks and buyers credit from banks are part of working capital facilities availed from consortium of banks. Consortium limits are secured by way of first pari passu charge on the current assets of the Company, wherever situated and by way of second pari passu charge on the movable assets (except current assets) and immovable assets of the Company situated at Bhandup, Nasik and Halol Plants.

All short-term borrowings availed in Indian rupees during the current year carry interest in the range of 6.25% to 11.50% and all short-term borrowing availed in foreign currency during the year carry interest in the range of LIBOR plus 21 bps to LIBOR plus 75 bps. (LIBOR is set corresponding to the period of the loan).

b) The Company had issued Commercial Papers (total available limit ₹ 35,000 lacs) at regular intervals for working capital purposes with interest ranging from 6.22% to 6.56%. The outstanding as at March 31, 2018 is Nil lacs (As at March 31, 2017 ₹ 2,481 lacs).

Note 26: Trade payables

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Dues to micro and small enterprises (refer foot note a)		
Overdue	-	-
Not due	360	426
Other trade payables	82,493	73,830
Trade payables to related parties*	2,001	702
Total	**84,854**	**74,958**

* For terms and conditions with related parties, refer note 43.

Notes

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

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
i) The principal amount remaining unpaid to any supplier as at the end of each accounting year	360	426
ii) Interest due thereon remaining unpaid to any supplier as at the end of accounting year	-	-
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	12	-
iv) The amount of interest due and payable for the year	-	-
v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	12
The information disclosed above is to the extent available with the Company.		

b) Trade payables are non-interest bearing within the credit period which is generally 60 to 105 days.

Note 27: Other financial liabilities

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Current		
At fair value through other comprehensive income		
Derivative financial instrument	4	315
At amortised cost		
Current maturities of long-term borrowings (refer note 20)	22,494	1,355
Interest accrued but not due on borrowings	129	276
Unpaid dividends	225	150
Unpaid matured deposits and interest accrued thereon #	117	128
Payable to capital vendors	3,585	4,792
Deposits from dealers and others	30,376	30,756
Others	71	-
Total	**57,001**	**37,772**

Refer foot a) below note 13: Bank balances other than cash and cash equivalents.

Note 28: Other current liabilities

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Statutory dues	7,732	6,813
Advance received from customers	1,737	820
Total	**9,469**	**7,633**

Note 29: Revenue from operations

(₹ in lacs)

	2017-18	2016-17
Sale of products (Refer foot note a)	6,24,428	6,33,304
Other operating revenues		
Royalty income (refer note 43)	419	431
Sale of scrap	2,195	1,753
Government grants (Refer foot note b)	1,273	1,302
Other revenues	4,710	862
Total	**6,33,025**	**6,37,652**

Note:

a) Sale of goods includes excise duty collected from customers of ₹16,891 lacs (March 31, 2017: ₹ 67,479 lacs) (refer note 2(3))

b) The Company has recognised a government grant of ₹ 1,191 lacs (March 31,2017: ₹ 1,220 lacs) as income on account of Export Incentive under Merchandise Exports from India Scheme (MEIS) from Directorate General of Foreign Trade, Government of India.

The Company has also recognised a government grant of ₹ 82 lacs (March 31, 2017: ₹ 82 lacs) relating to benefit received from Export Promotion Capital Goods (EPCG).

Detail of sales under broad heads

(₹ in lacs)

	2017-18	2016-17
Automotive tyres	5,52,903	5,59,128
Tubes and others	71,525	74,176
Sale of products	**6,24,428**	**6,33,304**

Note 30: Other Income

(₹ in lacs)

	2017-18	2016-17
Interest income on		
Bank deposits	24	49
Other interest income	1,303	798
Dividend income on		
Subsidiaries (refer note 43)	1,927	1,639
Current investments	-	0
Other non-operating income	1,362	1,291
Net gain on disposal of investments*	1,065	283
Foreign exchange fluctuation (net)	-	86
Total	**5,681**	**4,146**

*Includes fair value gain/ (loss) as at March 31, 2018 amounting to ₹ 6 lacs (March 31, 2017 ₹ (176) lacs)

Note 31: Cost of material consumed

(₹ in lacs)

	2017-18	2016-17
Raw Material		
Opening stock raw material	42,720	20,498
Add: Purchases	3,58,189	3,53,110
	4,00,909	**3,73,608**
Less: Closing stock	(35,876)	(42,720)
Total	**3,65,033**	**3,30,888**

(₹ in lacs)

	2017-18	2016-17
Details of raw materials consumed		
Rubber	1,87,779	1,74,710
Fabrics	51,751	50,137
Carbon black	49,944	40,338
Chemicals	42,610	36,731
Others	32,949	28,972
Total	**3,65,033**	**3,30,888**

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Details of closing inventories		
Rubber	23,599	32,701
Fabrics	3,426	3,258
Carbon black	1,502	1,636
Chemicals	4,023	2,703
Others	3,326	2,422
Total (refer note 9(a))	**35,876**	**42,720**

Note 32: Changes in inventories of finished goods, stock-in-trade and work-in-progress

(₹ in lacs)

	2017-18	2016-17
Opening Stock		
Work-in-progress	3,149	2,485
Finished goods	40,779	32,844
Stock-in-trade	2,405	2,889
	46,333	**38,218**
Closing Stock		
Work-in-progress	2,933	3,149
Finished goods	32,215	40,779
Stock-in-trade	1,280	2,405
	36,428	**46,333**
	9,905	(8,115)
Differential excise duty on opening and closing stock of finished goods	(573)	500
Total change in inventories	**9,332**	**(7,615)**

Note 33: Employee benefit expense

(₹ in lacs)

	2017-18	2016-17
Salaries, wages and bonus	33,739	31,539
Contribution to provident and other funds	1,860	1,761
Gratuity expenses (refer note 41)	610	514
Welfare expenses	5,102	4,571
Total	**41,311**	**38,385**

Note 34: Finance costs

(₹ in lacs)

	2017-18	2016-17
Interest on debts and borrowings	7,883	7,510
Other finance charges	375	83
Total interest expense	**8,258**	**7,593**
Unwinding of decommissioning liability	6	6
Unwinding of discount on provision of warranty	381	348
Total finance cost	**8,645**	**7,947**

Note 35: Depreciation and amortization expenses

(₹ in lacs)

	2017-18	2016-17
Depreciation of tangible assets (refer note 3)	14,959	13,232
Amortization of intangible assets (refer note 4)	1,209	969
Total	**16,168**	**14,201**

Note 36: Other expenses

(₹ in lacs)

	2017-18	2016-17
Conversion charges	35,468	38,508
Stores and spares consumed	4,696	4,726
Provision for obsolescence of stores and spares	120	0
Power and fuel	18,815	17,790
Freight and delivery charges	27,724	26,565
Rent for premises	584	444
Lease rent for vehicles	137	129
Rates and taxes	273	276
Insurance	410	312
Repairs and maintenance:		
Machinery	4,900	4,647
Buildings	489	569
Others	68	59
Travelling and conveyance	3,231	3,046
Printing and stationery	268	225
Directors' fees (refer note 43)	49	66
Payment to auditors (refer foot note 1)	86	84
Cost audit fees	3	3
Advertisement and sales promotion expenses	14,672	12,213
Commission on sales	193	340
Communication expenses	899	856
Bad debts and advances written off	1,547	59
Provision for doubtful debts written back	(1,497)	(37)
	50	**22**
Provision for doubtful debts and advances	371	898
Loss on disposal of property, plant and equipment (net)	929	555
Legal charges	146	248
Foreign exchange fluctuations (net)	28	-
Professional and consultancy charges	2,747	2,500
Commission to directors (refer note 43)	421	481
Training and conference expenses	1,151	1,116
Corporate Social Responsibility (CSR) expenses (refer foot note 2)	1,071	1,011
Bank charges	541	726
Miscellaneous expenses	11,192	9,845
Total	**1,31,732**	**1,28,260**

Notes

1) Payments to the auditor

(₹ in lacs)

	2017-18	2016-17
As auditor		
Audit fee*	54	54
Limited review	21	21
In other capacity		
Other services (including certification fees)	8	7
Reimbursement of expenses	3	2
Total payment to auditor	**86**	**84**

*Exclusive of service tax/GST

2) **Details of Corporate Social Responsibility (CSR) expenditure**

(₹ in lacs)

	2017-18	2016-17
a) Gross amount required to be spent during the year	**1,071**	**1,007**

(₹ in lacs)

	In cash	Yet to be paid in cash	Total
b) Amount spent during the year ended on March 31, 2018			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	1,071	-	1,071
Total	**1,071**	**-**	**1,071**

(₹ in lacs)

	In cash	Yet to be paid in cash	Total
c) Amount spent during the year ended on March 31, 2017			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	1,011	-	1,011
Total	**1,011**	**-**	**1,011**

Note 37: Exceptional items

(₹ in lacs)

	2017-18	2016-17
Voluntary Retirement Scheme (VRS)	2,640	1,333
Total	**2,640**	**1,333**

The Company had introduced VRS for employees across the Company. During the year, 178 employees (March 31, 2017, 93 employees) opted for the VRS.

Note 38: Research and development costs

(₹ in lacs)

	2017-18	2016-17
Capital expenditure	2,964	7,581
Revenue expenditure	6,069	5,594
Total	**9,033**	**13,175**

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

Note 39: Earnings per share

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

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

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

(₹ in lacs)

	2017-18	2016-17
Profit after tax for calculation of basic and diluted EPS	27,872	36,273
Weighted average number of equity shares (face value per share ₹10) in calculating basic EPS and diluted EPS	4,04,50,092	4,04,50,092
Basic earnings per share	68.90	89.67
Diluted earnings per share	68.90	89.67

Note 40: Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

a) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Company's domicile. Based on approved plans and budgets, the Company has estimated that the future taxable income will be sufficient to absorb MAT credit entitlement, which management believes is probable. Accordingly, the Company has recognized MAT credit as an asset. Further details on taxes are disclosed in note 23

b) Defined benefit plans (gratuity benefits)

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

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

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

Further details about gratuity obligations are given in note 41.

c) Provision for decommissioning liability

The Company has recognised a provision for decommissioning obligations associated with a land taken on lease at Nasik manufacturing facility for the production of tyres. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at March 31, 2018 was ₹ 61 lacs (March 31, 2017: ₹ 55 lacs). The Company estimates that the costs would be realised in year 2066 at the expiration of the lease and calculates the provision using the Discounted Cash Flow (DCF) method based on the following assumptions:

- Estimated range of cost per square meter – ₹ 45 – ₹ 50
- Discount rate – 11.50%

d) Provision for warranty

The estimated liability for warranty is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of obligations and management estimates regarding possible future incidence based on corrective actions on product failure. The timing of outflows will vary as and when the obligation will arise - being typically up to three years. The rate used for discounting warranty provisions is 11.50%.

e) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. (refer note 46 and 47 for further disclosures)

Note 41: Post-retirements benefit plan

a) Defined Contribution plan

The Company has recognised and included in Note No.33 "Contribution to Provident and other funds" expenses towards the defined contribution plan as under:

(₹ in lacs)

	2017-18	2016-17
Contribution to Provident fund (Government)	1,648	1,555

b) Defined Benefit plan - Gratuity

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

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

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

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

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

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

(₹ in lacs)

Sr. No.	Particulars	As at March 31, 2018	As at March 31, 2017
1.	Opening present value of defined benefit obligation	9,543	8,709
2.	Current service cost	610	514
3.	Interest cost	648	672
4.	Benefits paid	(600)	(761)
5.	Acquisition adjustment (Transfer out)	-	(32)
6.	Remeasurement (gain) / loss in other comprehensive income		
	- Actuarial changes arising from changes in financial assumption	(526)	685
	- Experience adjustments	(424)	(244)
7.	Adjustment in the Opening Liability	50	-
8.	Closing present value of obligation	9,301	9,543

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

(₹ in lacs)

Sr. No.	Particulars	As at March 31, 2018	As at March 31, 2017
1.	Fair value of plan assets as at April 1	8,526	8,493
2.	Expected return on plan assets	580	658
3.	Contributions made	1,068	211
4.	Benefits paid	(600)	(761)
5.	Acquisition adjustment (Transfer Out)	-	(32)
6.	Return on plan assets, excluding amount recognised in net interest expense	93	(43)
7.	Fair value of plan assets as at March 31	9,667	8,526

iii) Expenses recognised during the period

(₹ in lacs)

Particulars	2017-18	2016-17
In Income Statement	678	528
In Other Comprehensive Income	(1,043)	484
Total Expenses recognised during the period	**(365)**	**1,012**

iv) Expenses recognized in the Income Statement

(₹ in lacs)

Sr. No.	Particulars	2017-18	2016-17
1.	Current Service Cost (refer note 33)	610	514
2.	Interest Cost on benefit obligation	68	14
3.	**Net benefit expense**	**678**	**528**

v) Expenses recognized in Other Comprehensive Income (OCI)

(₹ in lacs)

Particulars	Gratuity 2017-18	Gratuity 2016-17
Remeasurement arising from changes in financial assumptions	(526)	685
Remeasurement arising from changes in experience variance	(424)	(244)
Return on plan assets, excluding amount recognized in net interest expense	(93)	43
Components of defined benefit costs recognized in other comprehensive income	**(1,043)**	**484**

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

(₹ in lacs)

Sr. No.	Particulars	As at March 31, 2018	As at March 31, 2017
1.	Closing Present value of the defined benefit obligation	9,301	9,543
2.	Closing Fair value of plan Assets	9,667	8,526
3.	**Net Assets / (Liability) recognized in the Balance Sheet**	**366**	**(1,017)**

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

(₹ in lacs)

Sr. No.	Particulars	2017-18	2016-17
1.	Expected return on plan assets	580	658
2.	Actuarial gain / (loss) on plan assets	93	(43)
3.	**Actual return on plan assets**	**673**	**615**

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

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

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

Description of Risk Exposures

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

Interest Rate risk

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

Liquidity Risk

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

Salary Escalation Risk

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

Demographic Risk

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

Regulatory Risk

Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. Increase in the maximum limit on gratuity of ₹ 20 lacs).

Asset Liability Mismatching or Market Risk

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

Investment Risk

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

Particulars	2017-18	2016-17
Discount Rates (per annum)	7.50%	6.80%
Salary growth rate (per annum)	7.00%	7.00%
Mortality rate (% of Indian Assured Lives Mortality (2006-08) Modified Ultimate)	100%	100%
Disability Rate	5% of mortality rate	5% of mortality rate
Withdrawal rates, based on service year: (per annum)		
- Below 5 years	22.70%	22.70%
- Equal and above 5 years	5.67%	5.67%

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

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Defined Benefit Obligation (Base)	9,301	9,543

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

(₹ in lacs)

Particulars	2017-18		2016-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	10,069	8,628	10,369	8,822
(% change compared to base due to sensitivity)	8.3%	(7.2%)	8.7%	(7.5%)
Salary Growth Rate (- / + 1%)	8,620	10,064	8,818	10,357
(% change compared to base due to sensitivity)	(7.3%)	8.2%	(7.6%)	8.5%
Attrition Rate (- / + 1%)	9,267	9.319	9,618	9,484
(% change compared to base due to sensitivity)	(0.4%)	0.2%	0.8%	(0.6%)
Mortality Rate (- / + 1%)	9,300	9,301	9,543	9,542
(% change compared to base due to sensitivity)	0.0%	0.0%	0.0%	0.0%

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

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

The Company's best estimate of contribution during the next year is ₹ 207 lacs.

The weighted average duration (based on discounted cash flows) of defined benefit obligation is 8 years.

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Within the next 12 months (next annual reporting period)	1,128	995
Between 2 and 5 years	3,657	3,559
Between 5 and 10 years	4,558	4,564
Beyond 10 years	9,925	9,611
Total expected payments	**19,268**	**18,729**

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

Note 42: Commitments and contingencies

a. Leases

Operating lease commitments — Company as lessee

The Company has entered a lease agreement with the leasing Company for vehicles, resulting in a non-cancellable operating lease. There is no restriction placed upon the Company by entering these leases. The lease term range from one year to five years and are renewable at the option of the Company.

Lease rental on the said lease of ₹ 137 Lacs (March 31, 2017 ₹ 129 Lacs) has been charged to Statement of Profit and Loss.

Future minimum rentals payable under non-cancellable operating leases as at March 31, 2018 are, as follows:

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Within one year	62	114
After one year but not more than five years	104	153
More than five years	-	-

b. Contingent Liabilities

(to the extent not provided for)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
1. Direct and indirect taxation matters*		
Income tax	4,317	4,317
Wealth tax	7	7
Excise duty / Service tax	6,633	7,879
Sales tax	5,193	7,024
Bills discounted with banks	8,052	7,295
2. Claims against the Company not acknowledged as debts*		
In respect of labour matters	750	678
Rental disputes	180	180
Customer disputes	446	446
Vendor disputes	294	294
3. Other claims*	3,204	3,207
4. Corporate Guarantee upto ₹ 22,800 lacs to Ceat Specialty Tyres Limited as a collateral security for raising the term loans	22,451	13,477

*in respect of above matters, future cash outflows are determinable only on receipt of judgements pending at various forums / authorities.

c. Commitments

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments)	94,137	10,320

d. Others

The Company has availed the Sales Tax Deferral Loan and Octroi refund from the Directorate of Industries for Nasik Plant. Hence, the Company has to take prior permission of the appropriate authority for removal/transfer of any asset (falling under the above Schemes) from Nasik Plant. In case of violation of terms & conditions, the Company is required to refund the entire loan/benefit along with the interest @ 22.50% on account of Sales Tax deferral Loan and @ 15% on account of Octroi refund.

e. Material demands and disputes considered as "Remote" by the Company

1. The Company has been served with a Show Cause cum Demand Notice from the DGCEI (Directorate General of Central Excise Intelligence) Mumbai, on the ground that, the activity of making tyre set, i.e. inserting Tubes and Flaps inside the Tyres and tied up through Polypropylene Straps, amounts to manufacture / pre-packaged commodity under Section 2(f)(iii) of Central Excise Act, read with Section 2(l) of the Legal Metrology Act, 2009. Accordingly, the authorities worked out the differential duty amounting to ₹ 27,421 Lacs i.e., the amount of duty already paid on the basis of transaction value and duty payable on the basis of MRP under Section 4A, for the period from April-2011 to March-2017. The Company believes that Set of TT / TTF (Tyre and Tube / Tyre, Tube and Flap) is not pre-packaged commodity in terms of provisions of Legal Metrology Act, 2009. The Company has a strong case on the ground that, the said issue has been clarified by the Controller of the Legal Metrology Department vide its letter dated May 1, 1991 that "Tyre with tube & flaps tied with three thin polythene strips may not be treated as a pre-packed commodity within the meaning of rule 2(l) of the Standards of Weights and Measures (Packaged Commodities), Rules, 1977". The above clarification has been re-affirmed vide letter dated November 16, 1992 by the Legal Metrology authorities.

2. The Competition Commission of India (CCI) had, while considering the representation made by All India Tyres Dealers Federation (AITDF) made a prima facie view that the major players of tyre industry (including the Company) had some understanding amongst themselves, especially in the replacement market, as they did not pass the benefit of corresponding reduction in prices of major raw material inputs for the period subsequent to the year 2011-12. According to CCI, this practice is in violation of the Competition Act 2002 (the Act). Therefore, CCI had, vide its order passed on June 24, 2014 under Section 26(1) of the Act, directed the Office of the Director General (DG) to investigate the said alleged violation of the Act.

   DG submitted its investigation report to CCI in December 2015, based on which CCI passed an order on February 18, 2016 directing the said tyre manufacturers to file their suggestions/objections by May 5, 2016. Objections were filed as directed and the CCI had also heard the tyre manufacturers in detail. The case was last posted on December 1, 2016 and is now reserved for Orders.

   The Company's decision to change the price is purely a business decision which depends upon many factors like cost of production, brand value perception, profit margin of each product, quality perception of each product in the market, demand and supply situation of each product category and market potential and market shares targets of various product categories etc. In view of the above, Company believes that it has a strong case hence, considered as remote.

Note 43: Related party transactions

a) Names of related parties and related party relationship

Related parties where control exists

- Associated CEAT Holdings Company (Pvt.) Limited ("ACHL") (Subsidiary Company)
- CEAT AKKHAN Limited (Subsidiary Company)
- Rado Tyres Limited("Rado") (Subsidiary Company)
- CEAT Specialty Tyres Limited ("CSTL") (Subsidiary Company)
- CEAT Specialty Tires Inc. (Subsidiary of CSTL)

Related parties with whom transactions have taken place during the year

- CEAT Kelani Holdings (Pvt.) Limited ("CKHL") (Joint venture of ACHL)
- Associated CEAT (Pvt.) Limited ("ACPL") (Subsidiary of CKHL)
- Ceat-Kelani International Tyres (Pvt.) Limited ("CKITL") (Subsidiary of CKHL)
- Ceat Kelani Radials Limited ("CKRL") (Subsidiary of CKHL)
- Asian Tyres (Pvt.) Limited ("ATPL") (Subsidiary of CKITL)
- CEAT Specialty Tyres Limited ("CSTL") (Subsidiary Company)
- TYRESNMORE Online Pvt Ltd. ("TNM PVT LTD") (Associate Company)
- RPG Enterprises Limited ("RPGE") (Directors, KMP or their relatives are interested)
- RPG Lifesciences Limited ("RPGLS") (Directors, KMP or their relatives are interested)
- Zensar Technologies Limited("Zensar") (Directors, KMP or their relatives are interested)
- Raychem RPG (Pvt.) Limited ("Raychem") (Directors, KMP or their relatives are interested)
- KEC International Limited ("KEC") (Directors, KMP or their relatives are interested)
- Vinar Systems Pvt. Limited ("Vinar") (Directors, KMP or their relatives are interested)
- B.N. Elias & Co. LLP ("B.N. Elias") (Directors, KMP or their relatives are interested)
- Atlantus Dwellings & Infrastructure LLP ("Atlantus") (Directors, KMP or their relatives are interested)
- Chattarpati Apartments LLP ("Chattarpati") (Directors, KMP or their relatives are interested)
- Allwin Apartments LLP ("Allwin") (Directors, KMP or their relatives are interested)
- Amber Apartments LLP ("Amber") (Directors, KMP or their relatives are interested)
- Khaitan & Co. ("Khaitan") (Directors, KMP or their relatives are interested)
- CEAT AKKHAN Limited (Subsidiary Company)
- Rado Tyres Limited("Rado") (Subsidiary Company)
- Associated CEAT Holdings Company (Pvt.) Limited ("ACHL") (Subsidiary Company)
- TYRESNMORE Online Pvt Ltd ("TNM PVT LTD") (Associate Company)
- Key Management Personnel (KMP):
  - i) Mr. Harsh Vardhan Goenka, Chairman
  - ii) Mr. Anant Vardhan Goenka, Managing Director
  - iii) Mr. Arnab Banerjee, Whole-time Director
  - iv) Mr. Manoj Jaiswal, Chief Financial Officer upto January 15, 2017
  - v) Mr Kumar Subbiah, Chief Financial Officer w.e.f. from January 16, 2017
  - vi) Mr. H. N. Singh Rajpoot, Company Secretary upto August 31, 2016
  - vii) Ms. Shruti Joshi, Company Secretary w.e.f. from September 1, 2016
  - viii) Mr. Paras K. Chowdhary, Independent Director
  - ix) Mr. Vinay Bansal, Independent Director
  - x) Mr. Hari L Mundra, Non-Executive - Non Independent Director
  - xi) Mr. Atul Choksey, Independent Director
  - xii) Mr. Mahesh Gupta, Independent Director
  - xiii) Mr. Haigreve Khaitan, Independent Director
  - xiv) Ms. Punita Lal, Independent Director
  - xv) Mr. S.Doreswamy, Independent Director
  - xvi) Mr. Kantikumar Poddar, Independent Director up to February 9, 2017

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

(₹ in lacs)

Transactions	Related Party	2017-18	2016-17
Reimbursement / (recovery) of expenses (net)	ACPL	(25)	(21)
	CKITL	(23)	(28)
	Rado	-	429
	Raychem	(8)	(18)
	KEC	(51)	(53)
	Amber	2	1
	CSTL	(41)	(57)
	Zensar	9	(3)
	RPGE	231	171
	Vinar	0	-
	RPGLS	(16)	(31)
	Total	**78**	**390**
Dividend income	ACHL	1,927	1,639
Royalty income	ACPL	110	119
	CKITL	113	131
	ATPL	70	65
	CKRL	126	116
	Total	**419**	**431**
Purchase of Traded goods	ACPL	3,927	2,741
	CKITL	502	111
	ATPL	24	-
	CKRL	24	406
	Total	**4,477**	**3,258**
Sales	CKITL	246	1,322
	CEAT AKKHAN Limited	3,948	2,984
	CSTL	21,565	18,491
	TNM PVT LTD	26	-
	ACPL	131	54
	Total	**25,916**	**22,851**
Conversion charges paid	Rado	17	884
Loan given	CSTL	19,700	7,150
Repayment of loan given	CSTL	19,800	5,550
Interest income on loan	CSTL	377	391
Investments (including share application money) made during the year	CSTL	7,000	1,000
	Rado	1,160	-
	TNM PVT LTD	400	-
	Total	**8,560**	**1,000**
Technical development fees received	ATPL	-	55
Rent paid on residential premises / guest house	Allwin	-	15
	KEC	9	3
	Amber	-	15
	Atlantus	-	18
	Chattarpati	43	43
	B N Elias	12	12
	Zensar	-	9
	Total	**64**	**115**
Building maintenance recovery	Raychem	95	95
	KEC	474	474
	CSTL	26	25
	RPGE	70	70
	RPGLS	101	101
	Total	**766**	**765**

(₹ in lacs)

Transactions	Related Party	2017-18	2016-17
Rent recovery on residential premises	KEC	24	56
	Raychem	12	5
	Atlantus	18	-
	Amber	15	-
	RPGE	9	-
	Allwin	15	-
	Total	**93**	**61**
Purchase of capex/spares	Raychem	95	87
	KEC	1,228	85
	CKITL	75	-
	Vinar	86	230
	Total	**1,484**	**402**
Consultancy fees paid	Zensar	-	53
Legal fees paid	Khaitan & Co.	28	112
License fees paid	RPGE	630	550
Sale of spares	CKITL	-	19
Facility agreement recovery	CSTL	1,657	1,589
Corporate guarantee commission	CSTL	182	-

c) Balance outstanding at the year end

(₹ in lacs)

Amount due to / from related party	Related Party	As at March 31, 2018	As at March 31, 2017
Advances recoverable in cash or kind	ACPL	11	23
	CEAT AKKHAN Limited	209*	228
	CKITL	45	46
	CKRL	-	3
	Raychem	-	14
	KEC	587	81
	CSTL	287	239
	ATPL	-	16
	RPGE	-	80
	RPGLS	-	28
	Total	**1,139**	**758**
Royalty receivable	ACPL	55	52
	CKITL	57	62
	CKRL	64	59
	ATPL	35	29
	Total	**211**	**202**
Trade payables	ACPL	1,662	566
	CKRL	-	37
	Rado	3	41
	Raychem	9	-
	CKITL	247	34
	B N Elias	-	1
	Atlantus	-	1
	Chattarpati	-	3
	Allwin	-	1
	CEAT AKKHAN Limited	19	-
	KEC	0	-
	Zensar	18	18
	Vinar	26	-
	RPGE	17	-
	Total	**2,001**	**702**

(₹ in lacs)

Amount due to / from related party	Related Party	As at March 31, 2018	As at March 31, 2017
Trade receivables	CKITL	88	159
	CSTL	1,959	1,537
	CEAT AKKHAN Limited	357	58
	ACPL	38	28
	TNM PVT LTD	18	-
	Total	**2,460**	**1,782**
Loans given	CSTL	4,900	5,000
	Total	**4,900**	**5,000**
Payable against purchase of capital asset	KEC	105	-
	Total	**105**	**-**

*Receivable from CEAT AKKHAN includes money receivable for expenses reimbursement and technical fees which is fully provided.

d) Transactions with key management personnel and their relatives

(₹ in lacs)

Sr. No.	Related Party	2017-18	2016-17
1)	Mr. Harsh Vardhan Goenka		
	Commission	373	432
	Director sitting fees	5	6
	Dividend	15	-
	Total	**393**	**438**
2)	Mr. Anant Vardhan Goenka		
	Salaries	286	259
	Allowances and perquisites	9	10
	Performance bonus*	77	74
	Contribution to provident & superannuation fund	26	23
	Dividend	2	-
	Leave encashment	0	1
	Total	**400**	**367**
3)	Mr. Arnab Banerjee		
	Salaries	192	178
	Allowances and perquisites	2	2
	Performance bonus*	51	56
	Contribution to provident & superannuation fund	11	10
	Leave encashment	0	1
	Dividend	0	-
	Total	**256**	**247**
4)	Mr. Manoj Jaiswal		
	Salaries	-	100
	Allowances and perquisites	-	0
	Performance bonus*	-	50
	Contribution to provident & superannuation fund	-	5
	Leave encashment	-	2
	Total	**-**	**157**
5)	Mr. Kumar Subbiah		
	Salaries	138	28
	Allowances and perquisites	3	-
	Performance bonus*	35	-
	Contribution to provident & superannuation fund	5	1
	Leave encashment	0	1
	Total	**181**	**30**
6)	Mr. H. N. Singh Rajpoot		
	Salaries	-	23
	Performance bonus*	-	18
	Contribution to provident & superannuation fund	-	3
	Leave Encashment	-	1
	Total	**-**	**45**

(₹ in lacs)

Sr. No.	Related Party	2017-18	2016-17
7)	Ms Shruti Joshi		
	Salaries	35	19
	Allowances and perquisites	-	0
	Performance bonus*	7	-
	Contribution to provident & superannuation fund	2	1
	Leave Encashment	0	0
	Total	**44**	**20**
8)	Mr. Paras K. Chowdhary		
	Commission	6	6
	Director sitting fees	6	7
	Dividend	0	-
	Total	**12**	**13**
9)	Mr. Hari L. Mundra		
	Commission	6	6
	Director sitting fees	6	8
	Total	**12**	**14**
10)	Mr. Vinay Bansal		
	Commission	6	6
	Director sitting fees	6	9
	Total	**12**	**15**
11)	Mr. Atul C. Choksey		
	Commission	6	6
	Director sitting fees	4	6
	Total	**10**	**12**
12)	Mr. Mahesh S. Gupta		
	Commission	6	6
	Director sitting fees	8	10
	Total	**14**	**16**
13)	Mr. Haigreve Khaitan		
	Commission	6	5
	Director sitting fees	3	5
	Total	**9**	**10**
14)	Ms. Punita Lal		
	Commission	6	5
	Director sitting fees	3	6
	Total	**9**	**11**
15)	Mr. S. Doreswamy		
	Commission	6	5
	Director sitting fees	8	9
	Total	**14**	**14**
16)	Mr. Kantikumar Poddar		
	Commission	-	4
	Total	**-**	**4**
	Grand Total	**1,366**	**1,413**

* Represents amount paid during the year.

e) Balance outstanding at the year end for KMP

(₹ in lacs)

Amount due to / from related party	Related Party	As at March 31, 2018	As at March 31, 2017
Commission Payable	Mr. H. V. Goenka	373	432
	Mr. Paras K. Chowdhary	6	6
	Mr. Hari L. Mundra	6	6
	Mr. Vinay Bansal	6	6
	Mr. Atul C. Choksey	6	6
	Mr. Mahesh S. Gupta	6	6
	Mr. Haigreve Khaitan	6	5
	Ms. Punita Lal	6	5
	Mr. S. Doreswamy	6	5
	Mr. Kantikumar Poddar	-	4
	Total	**421**	**481**

Terms and conditions of transactions with related parties

The sales to, purchases and others from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

The remuneration to the key managerial personnel does not include the provisions made for gratuity as it is determined on an actuarial basis for the Company as a whole.

Managerial remuneration is computed as per the provisions of section 198 of the Companies Act, 2013. The amount outstanding are unsecured and will be settled in cash.

Loan and guarantee to subsidiary

Following are the details of loans and guarantee given to subsidiary companies in which directors are interested, as required under Schedule V read with Regulation 34 (3) and 53 (f) of the SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 and disclosure required under section 186 (4) of the Companies Act, 2013.

i. The loan granted to CEAT Specialty Tyres limited is intended to finance their working capital requirements. The loan has been granted via two facilities i.e. Revolving Credit Facility and Short Term Bridge Finance. Both loans are unsecured. Loan given during the year was ₹ 19,700 lacs (March 31, 2017: ₹ 7,150 lacs). Loan repaid during the year ₹ 19,800 lacs (March 31, 2017: ₹ 5,550 lacs). The loan has been utilized for the purpose for which it was granted. Terms of both the facilities are as follows:

Facility	Outstanding as on March 31, 2018 (₹ in lacs)	Terms of repayment	Interest rate
Short term bridge finance	3,400	Outstanding loan to be repaid at the end of 1 year from the first date of drawl.	April 1, 2017 to July 31, 2017 - 9.50% p.a. August 1, 2017 to March 31, 2018 - 8.50% p.a.
Revolving credit facility	1,500	On demand	April 1, 2017 to July 31, 2017 - 11.20% p.a. August 1, 2017 to March 31, 2018 - 10.20% p.a.

Maximum outstanding during the year as loan to CSTL was ₹ 5,900 lacs (March 31, 2017: ₹ 5,000 lacs).

ii. CEAT has given a corporate guarantee up to ₹ 22,800 lacs to Ceat Specialty Tyres Limited as collateral security for raising the term loans. The outstanding guarantee as on March 31, 2018 is ₹ 22,451 lacs (March 31, 2017: ₹ 13,477 lacs).

Capital commitments with related parties

The estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments) pertaining to the related parties are as follows:

(₹ in lacs)

Related Party	As at March 31, 2018	As at March 31, 2017
KEC	2,326	0
Raychem	0	-
Vinar	-	67

Note 44: Segment information

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

Information about products

(₹ in lacs)

Particulars	2017-18			2016-17		
	Automotive Tyres	Tubes and others	Total	Automotive Tyres	Tubes and others	Total
Revenue from sale of products	5,52,903	71,525	6,24,428	5,59,128	74,176	6,33,304

Information about geographical areas

(₹ in lacs)

Particulars	2017-18			2016-17		
	In India	Outside India	Total	In India	Outside India	Total
Revenue from sale of products	5,50,684	73,744	6,24,428	5,57,448	75,856	6,33,304
Non-current assets	3,03,241	-	3,03,241	2,71,963	-	2,71,963

During the FY 2017-18 and FY 2016-17, no single external customer has generated revenue of 10% or more of the Company's total revenue.

During the FY 2017-18 and FY 2016-17, no single country outside India has given revenue of more than 10% of total revenue.

Note 45: Hedging activities and derivatives

Derivatives designated as hedging instruments

The Company uses derivative financial instruments such as foreign currency forward contracts to hedge foreign currency risk arising from future transactions in respect of which firm commitments are made or which are highly probable forecast transactions. It also uses cross currency interest rate swaps (CCIRS), Range Forwards, and Coupon only Swap (COS) to hedge interest rate and foreign currency risk arising from variable rate foreign currency denominated loans. All these instruments are designated as hedging instruments and the necessary documentation for the same is made as per Ind AS 109.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of recognized purchase payables, committed future purchases, recognized sales receivables, forecast sales and Foreign Currency loan (Buyer's Credit) in US dollar & Euro. The forecast sales transactions are highly probable, and comprise about 25% of the Company's total expected sales in US dollar.

Cross currency Interest Rate Swaps (CCIRS) measured at fair value through OCI are designated as hedging instruments in cash flow hedges for Foreign currency loan (Buyer's Credit) in US Dollar.

Derivative options like Range Forwards, COS measured at Fair value through OCI are designated as hedging instruments in cash flow hedges for Foreign currency loan (Buyer's Credit) in US Dollar.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates. CCIRS has been designated as effective hedging instrument from April 1, 2016 onwards.

(Amount in lacs)

Derivative	Currency	As at March 31,2018		As at March 31,2017		Purpose
		FC	₹	FC	₹	
Forward Contract to sell Foreign Currency (FC)	USD	48	3,122	80	5,168	Hedge of Foreign Currency sales
	EUR	9	711	-	-	
	USD	141	9,195	148	9,566	Hedge of Foreign Currency High probable sales
Forward Contract to buy Foreign Currency (FC)	USD	88	5,748	83	5,365	Hedge of foreign currency purchase
	EURO	0	15	-	-	
	USD	116	7,531	13	827	Hedge of Foreign Currency Buyer’s Credit
	USD	600	39,127	228	14,798	Hedge of Foreign Currency Firm Commitment – PO based hedging
	EUR	437	35,113	-		
	JPY	4,365	2,670	-		
Cross Currency Interest Rate Swap	USD	342	22,292	363	23,556	Hedge of Foreign Currency Buyer's Credit
	EURO	28	2,249	33	2,290	
Range forward to buy Foreign Currency (FC)	USD	6	374	6	373	Hedge of Foreign Currency Buyer’s Credit

(Amount in foreign currency in lacs)

Unhedged foreign currency Exposure*	Currency	2017-18	2016-17
Short Term borrowing	USD	30	20
Trade Payables	USD	16	20
	EURO	3	14
	JPY	165	764
	GBP	0	0
	CHF	-	0
Trade Receivables	USD	41	18
	EURO	3	7
Advances Recoverable in cash or kind	USD	4	-
	EUR	0	-
	AED	0	-

* The trade payables / short term borrowings are naturally hedged (off-set) to the extent of exposure under trade receivables / advances for respective currencies.

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

The cash flow hedges as at March 31, 2018 were assessed to be highly effective and a net unrealised gain of ₹ 1,098 lacs, with a deferred tax liability of ₹ 380 lacs relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges as at March 31, 2017 were assessed to be highly effective and an unrealised loss of ₹ 377 lacs with a deferred tax asset of ₹ 131 lacs was included in OCI.

Note 46: Fair values

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

(₹ in lacs)

	As at March 31, 2018		As at March 31, 2017	
	Carrying values	Fair values	Carrying values	Fair values
Financial assets				
At amortised cost				
Loans (Non-current)	304	304	195	195
Other financial assets (Non-current)	171	171	289	289
At fair value through profit and loss				
Current investment	4,006	4,006	6,427	6,427
Total	**4,481**	**4,481**	**6,911**	**6,911**
Financial liabilities				
At amortized cost				
Borrowings				
(Non-current)	27,230	26,294	70,351	69,199
Other financial liabilities				
(Non-current)	146	68	146	61
At fair value through other comprehensive income				
Other financial liabilities				
(Non-current)	177	177	1,520	1,520
Other financial liabilities				
(Current)	4	4	315	315
Total	**27,557**	**26,543**	**72,332**	**71,096**

The management assessed that fair values of cash and cash equivalents, trade receivables, trade payables, loans, bank overdrafts and other current financial assets and liabilities (except derivative financial instrument those being measured at fair value through other comprehensive income) which are receivable/payable within one year approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The foreign exchange forward contracts used for hedging the recognized import trade payables / export trade receivables have been valued based on the Closing spot value. The following methods and assumptions were used to estimate the fair values:

- The fair value of quoted mutual funds are based on price quotations at the reporting date.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign exchange forward contracts used for the expected future sales/expected future purchase have been valued using forward pricing, based on present value calculations. These values are the realisable values which could be exchanged with the counterparty. The foreign exchange forward contracts used for the recognized export receivables/recognized import payables have been measured using the closing currency pair spot. The forward premium is separately amortized over the period of the forward. These values are close estimations of the fair values which could be realised on immediate winding up of the deals. The swap contracts and the option contracts have been valued at the market realisable values obtained from the counterparty and the same have been valued using the swap valuation / option valuation, based on present value calculations
- The fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Note 47: Fair value hierarchy

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

Quantitative disclosures fair value measurement hierarchy for Assets / Liabilities as at March 31, 2018

(₹ in lacs)

	Total	Fair Value measurement using		
		Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)*
Financial assets				
At amortised cost				
Loans (Non-current)	304	-	304	-
Other financial assets				
(Non-current)	171	-	171	-
At fair value through profit and loss				
Investment				
(Current)				
-Investment in quoted mutual fund	4,006	4,006	-	-
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	26,294	19,956	4,512	1,826
Other financial liabilities				
(Non-current)	68	-	-	68
At fair value through other comprehensive income				
Other financial liabilities (Non-current)	177	-	177	-
Other financial liabilities				
(Current)				
-Derivative financial instrument	4	-	4	-

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

Quantitative disclosures fair value measurement hierarchy for Assets / Liabilities as at March 31, 2017

(₹ in lacs)

	Total	Fair Value measurement using		
		Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)*
Financial assets				
At amortised cost				
Loans (Non-current)	195	-	195	-
Other financial assets	289	-	289	-
(Non-current)				
At fair value through profit and loss				
Investment (Current)				
-Investment in quoted mutual fund	6,427	6,427	-	-
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	69,199	20,000	47,320	1,879
Other financial liabilities	61	-	-	61
(Non-current)				
At fair value through other comprehensive income				
Other financial liabilities (Non-current)	1,520	-	1,520	-
Other financial liabilities				
(Current)				
-Derivative financial instrument	315	-	315	-

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

*For valuation under Level 3 following assumptions were made:

a. All repayments of borrowings will happen at end of financial year and not during the year.

b. For valuation purpose we have taken rate of 11.50% which represents additional borrowing rate.

Note 48: Financial risk management objectives and policies

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

The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Board of Directors through its risk management committee reviews and agrees policies for managing each of these risks, which are summarised below.

a. Market risk

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

The sensitivity analysis in the following sections relate to the position as at March 31, 2018 and March 31, 2017.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at March 31, 2018.

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

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

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

i. Interest rate risk

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At March 31 2018, after taking into account the effect of interest rate swaps, approximately 46% of the Company's total borrowings are at a fixed rate of interest (March 31,2017: 58%).

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Fixed rate borrowings	29,769	45,340
Floating rate borrowings	34,320	32,165
Total borrowings	**64,089**	**77,505**

Interest rate sensitivity

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

(₹ in lacs)

Particulars	Increase/decrease in basis points	Effect on profit before tax
March 31, 2018		
₹ 34,320 lacs	+/- 100 bps	-343.20 / +343.20
March 31, 2017	+/- 100 bps	-321.65 / +321.65
₹ 32,165 lacs		

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

ii. Foreign currency risk

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

The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 6 month period for the foreign currency denominated trade payables and trade receivables. The foreign currency risk on the foreign currency loans are mitigated by entering into Cross Currency Swaps. When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

At March 31, 2018, the Company hedged 94% (March 31, 2017: 95%,) of its foreign currency loans. This foreign currency risk is hedged by using foreign currency forward contracts. At March 31, 2018, the Company hedged 95% (March 31, 2017: 98%) of its foreign currency receivables/payables.

Foreign currency sensitivity

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

(₹ in lacs)

Particulars	Change in Currency	Effect on profit before tax
March 31, 2018		
Recognized net payables – USD 0.11 Mio	₹ +1/- 1	-1.10 / +1.10
Recognized net receivables – EUR 0.04 Mio	₹ +1/- 1	+ 0.36 / - 0.36
March 31, 2017		
Recognized net payables – USD 2.20 Mio	₹ +1/- 1	-22.00 / +22.00
Recognized net payables - EUR 0.65 Mio	₹ +1/- 1	- 6.50 / + 6.50

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

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

iii. Equity price risk

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

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

There is no material equity risk relating to the Company's equity investments which are detailed in note 5. The Company equity investments majorly comprises of strategic investments rather than trading purposes.

b. Commodity price risk

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

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

Commodity price sensitivity

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

(₹ in lacs)

Commodity	Increase in profit due to decrease in commodity price		Decrease in profit due to increase in commodity price	
	As at March 31, 2018	As at March 31, 2017	As at March 31,2018	As at March 31,2017
Natural rubber	5,400	5,200	(5,400)	(5,200)
Synthetic rubber	4,000	3,600	(4,000)	(3,600)
Carbon black	2,500	2000	(2,500)	(2,000)

c. Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 30 days to 90 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored. Credit risk on receivables is also mitigated by securing the same against security deposit, letter of credit and advance payment.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

(₹ in Lacs)

Particulars	As at March 31, 2018			As at March 31, 2017		
	Less than 180 days	More than 180 but less than 360 days	More than 360 days	Less than 180 days	More than 180 but less than 360 days	More than 360 days
Expected loss rate	0.00%	50.00%	100.00%	0.09%	49.42%	100.00%
Gross carrying amount	70,983	465	1,896	59,104	297	3,095
Loss allowance provision	-	233	1,896	49	147	3,095

Export customers are against Letter of Credit, bank guarantees, payment against documents. For open credit exports insurance cover is taken. Generally deposits are taken from domestic debtors under replacement segment. The carrying amount and fair value of security deposit from dealers amounts to ₹ 30,375 lacs (March 31, 2017: ₹ 30,757 lacs) as it is payable on demand. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Other financial assets and cash deposits

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

The Company's maximum exposure to credit risk for the components of the balance sheet at March 31, 2018 and March 31, 2017 is the carrying amounts as illustrated in note 6, note 11 and note 12 except for derivative financial instruments. The Company's maximum exposure relating to financial derivative instruments is noted in note 21 and 27.

d. Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Liquidity exposure as at March 31, 2018

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
Financial assets				
Non-current investments	-	-	27,999	27,999
Current investments	4,006	-	-	4,006
Loans	4,902	304	-	5,206
Trade receivables	71,215	-	-	71,215
Cash and cash equivalents	6,964	-	-	6,964
Bank balances other than cash and cash equivalents	337	-	-	337
Other financial assets	1,193	171	-	1,364
Total financial assets	**88,617**	**475**	**27,999**	**1,17,091**
Financial liabilities				
Non current borrowings	-	16,180	11,112	27,292
Current borrowings	14,364	-	-	14,364
Other Financial Liabilities	57,001	177	146	57,324
Trade and Other payables	84,854	-	-	84,854
Total financial liabilities	**1,56,219**	**16,357**	**11,258**	**1,83,834**

Liquidity exposure as at March 31, 2017

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
Financial assets				
Non-current investments	-	-	19,439	19,439
Current investments	6,427	-	-	6,427
Loans	5,002	195	-	5,197
Trade receivables	59,205	-	-	59,205
Cash and cash equivalents	1,425	-	-	1,425
Bank balances other than cash and cash equivalents	322	-	-	322
Other financial assets	1,155	289	-	1,444
Total financial assets	**73,536**	**484**	**19,439**	**93,459**
Financial liabilities				
Non Current borrowings	-	43,012	27,632	70,644
Current borrowings	5,799	-	-	5,799
Other Financial Liabilities	37,772	1,520	146	39,438
Trade and Other payables	74,958	-	-	74,958
Total financial liabilities	**1,18,529**	**44,532**	**27,778**	**1,90,839**

e. Excessive risk concentration

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

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

Collateral

The Company has hypothecated the movable, immovable properties and entire current assets to its consortium of bankers as detailed in note 20 and 25. The term lenders also have a second charge on the varied current assets.

Note 49: Capital management

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

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

(₹ in lacs)

	March 31, 2018	March 31, 2017
Borrowings *(Note 20, 25 and 27)	64,088	77,505
Trade payables (Note 26)	84,854	74,958
Less: cash and cash equivalents (Note 12)	(6,964)	(1,425)
Net debt	**1,41,978**	**1,51,038**
Equity (Note 17 and 18)	2,54,682	2,30,615
Capital and net debt	**3,96,660**	**3,81,653**
Gearing ratio	36%	40%

*Includes current maturities of long term borrowings

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

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

Note 50: Events after the reporting period

- The board has recommended dividend of ₹ 11.50 per equity share (March 31, 2017 ₹ 11.50 per equity share) of face value ₹ 10 each for financial year 2017-18.

Note 51: Standards issued but not yet effective

Ind AS 115 – Revenue from Contracts with Customers

Ind AS 115 was notified on March 28, 2018 and establishes a five-step model to account for revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions of the Company. Ind AS 115 is effective for the Company in the first quarter of FY 2018-19 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

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

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

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

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

For and on behalf of Board of Directors of CEAT Limited

Kumar Subbiah
Chief Financial Officer

H.V. Goenka
Chairman

Anant Goenka
Managing Director

Shruti Joshi
Company Secretary

Mahesh Gupta
Chairman- Audit Committee

Place: Mumbai
Date: April 30, 2018