

**TOWARDS A SAFER,  
SMARTER TOMORROW**

## Corporate Overview

- 02** Corporate Review
- 03** Manufacturing Landscape
- 04** Expanding Global Footprint
- 06** Board of Directors
- 08** Product Portfolio
- 09** Year in Review
- 10** Key Performance Indicators (Consolidated)
- 14** Committed towards a SAFER Tomorrow
- 16** Driving towards a SMARTER Tomorrow
- 18** Creating a SUSTAINABLE Tomorrow
- 20** Brand Initiatives promoting Safer & Smarter Tomorrow
- 22** Safer & Smarter Customer Orientation
- 23** Environment, Health & Safety Practices
- 24** Corporate Social Responsibility
- 26** Awards
- 27** Corporate Information

## Statutory Reports

- 28** Management Discussion and Analysis
- 51** Discussion on the Financial Performance
- 64** Notice
- 74** Board's Report
- 108** Corporate Governance Report
- 128** Business Responsibility Report

## Financial Section

- 136** Standalone Financial Statements
- 219** Consolidated Financial Statements



### Forward-looking statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.



**CEAT IS COMMITTED  
TO "MAKING MOBILITY  
SAFER AND SMARTER.  
EVERYDAY."**

Enthusied by innovation, technological capabilities and product diversity, our strength is a combination of our legacy with the new mantras of youth and dynamism. Driven by the passion to build a safe ecosystem for mobility, we have world-class high performance tyres for a wide variety of vehicles.

We are one of India's most trusted brands and remain committed to innovate, rebuild and be agile on-road and off-road.

**THANK YOU FOR BEING A PART  
OF OUR JOURNEY. WE VALUE  
YOUR ASSOCIATION.**

Delhi to Paris journey with CEAT tyres without a single puncture.

## CORPORATE REVIEW

### RPG Group

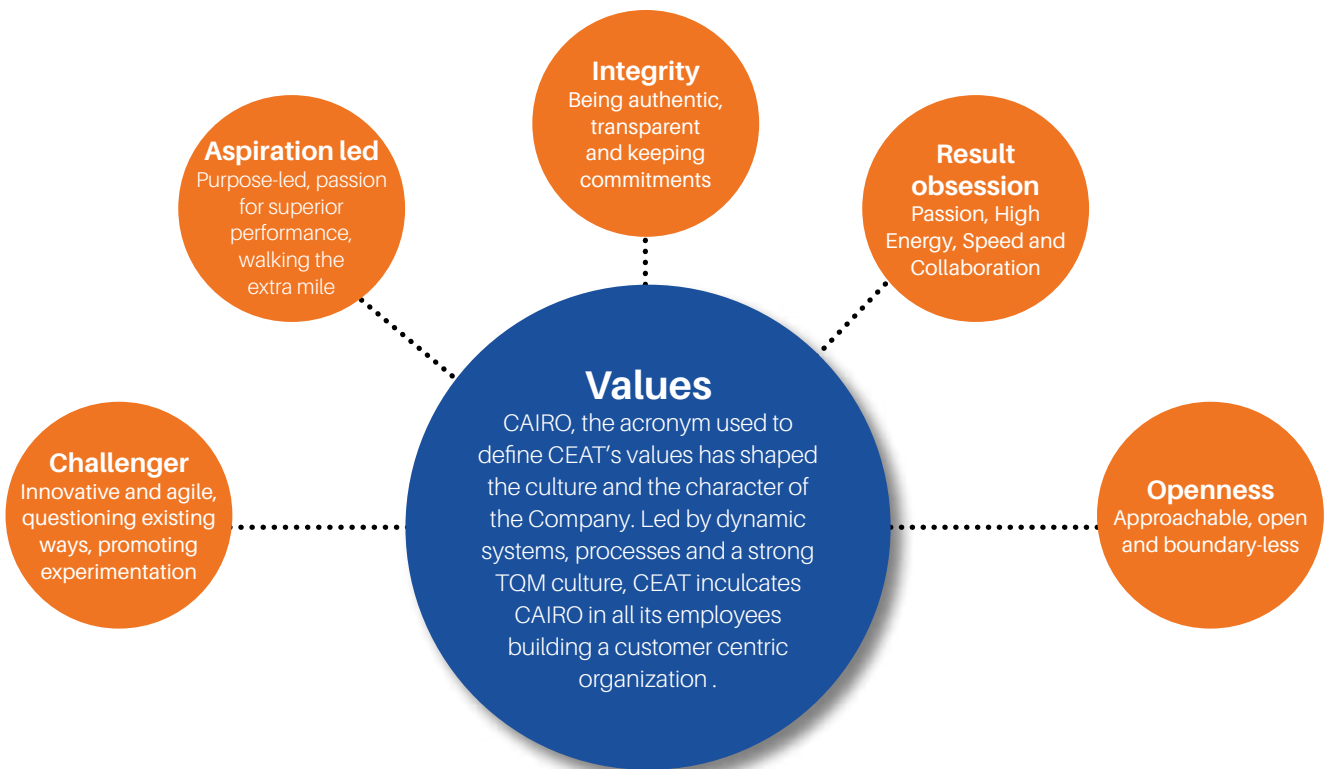
Established in 1979, RPG Group is a conglomerate with a diversified portfolio in the areas of infrastructure, tyres, information technology, health, energy and plantations. Founded by Mr. R. P. Goenka, the group represents 15 companies in these sectors predominantly CEAT, Zensar Technologies, KEC International and RPG Life Sciences amongst others. Built on a solid foundation of trust and tradition, RPG is growing with a relentless focus on excellence.

### CEAT - Journey So Far

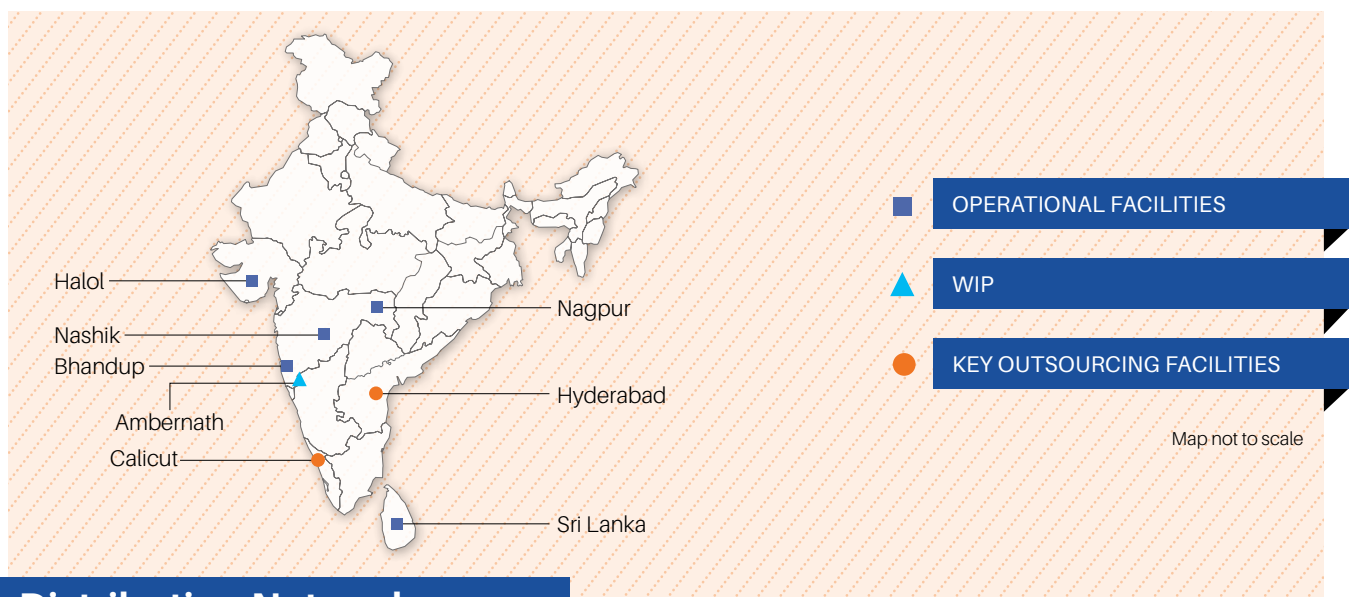
Established in 1958, CEAT is one of India's leading tyre manufacturers with strong presence across global markets. The Company is built on strong ethos of passion, values, dynamism and resilience and remains committed to helping millions of vehicles travel distances safely. Today, CEAT produces over 26 million tyres a year promising safe rides to all its customers.

Manufacturing operations of CEAT are carried out through a combination of in-house manufacturing facilities and outsourcing units. A state-of-the-art Research & Development (R&D) centre in Halol has enabled CEAT to come up with safer and smarter products to fulfill the mobility needs of its end consumers.





## MANUFACTURING LANDSCAPE



### Distribution Network

**4,500+**

Dealers

**600+**

Districts covered

**250+**

Two-Wheeler Distributors

**350+**

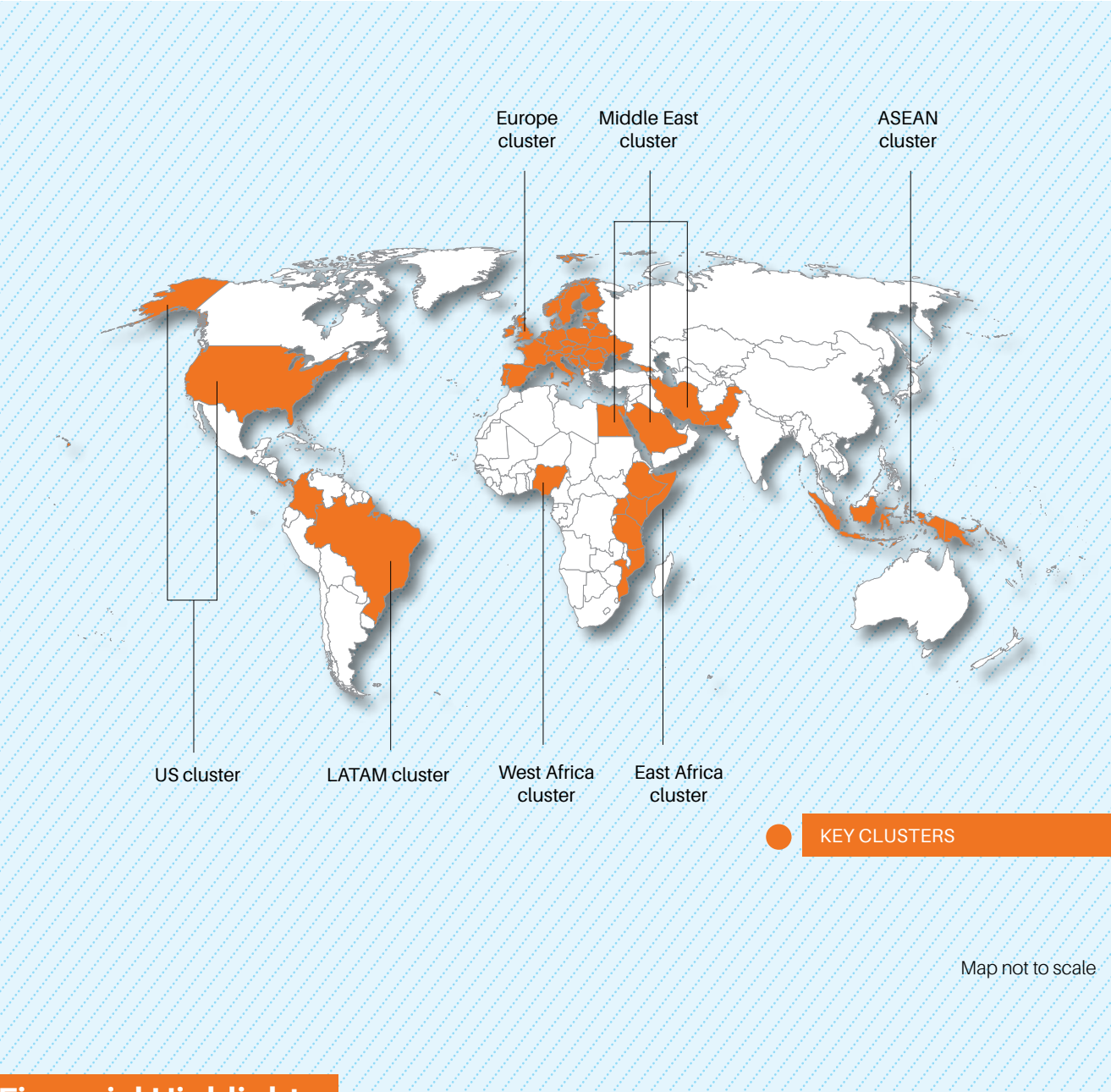
Multi Brand Outlet & Shop-in-Shop Concepts

**450+**

Franchisees (CEAT Shoppes and CEAT Hubs)

**Launched CEAT Bike Shoppes**

# EXPANDING GLOBAL FOOTPRINT



## Financial Highlights

NET SALES

₹ 5,722 cr.

EBIDTA

₹ 675 Cr.

ROCE

11%

EARNING PER SHARE

₹ 89

PAT

₹ 361 cr.

DIVIDEND PER SHARE

115%



CEAT developed a new range of Passenger Car tyres for the coveted European market. Designed and engineered in association with the top industry experts and designers, these tyres are benchmarked against the best in the industry. CEAT entered Italy and Spain last year and with the help of focused in-store brandings and marketing communications, it has successfully established itself as a preferred brand in these countries. The Financial Year 2018 shall see CEAT entering several new countries proving its commitment to become the brand of choice when it comes to quality tyres.



Other extremely important market for CEAT in passenger car tyres is Middle East. In countries like UAE and Iran, CEAT has successfully established itself as one of the most important brands when it comes to superior tyre performance and mileage. With the backing of continuous branding initiatives CEAT has become an important brand in the high-potential taxi/fleet segment in UAE.



CEAT has been focusing extensively to prove its mettle in the segment of two-wheeler tyres in the International markets. On the domestic front CEAT has established a robust distribution channel and has grown to become one of the leading two-wheeler tyre brand. The international team is working towards replicating the same success story in certain strategic countries across globe such as Egypt, Kenya and Colombia. In these geographies, the products and customer expectations are in synergy with CEAT offerings.



## BOARD OF DIRECTORS

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**H. V. Goenka**

Chairman, Non-Executive,  
Non-Independent Director



**Anant Vardhan Goenka**

Managing Director



**Arnab Banerjee**

Executive Director - Operations



**Atul C. Choksey**

Independent Director



**Haigreve Khaitan**

Independent Director



**Hari L. Mundra**

Non-Independent Director





**Mahesh S. Gupta**

Independent Director



**Paras K. Chowdhary**

Independent Director



**Punita Lal**

Independent Director



**Ranjit V. Pandit**

Independent Director



**S. Doreswamy**

Independent Director



**Vinay Bansal**

Independent Director

# PRODUCT PORTFOLIO

## 2-3 wheeler Tyres



Zoom XL



Zoom D



Milaze

## Light Commercial Vehicle Tyres



Buland  
Lug XL Pro



Buland  
Mile XL Pro



Buland Mile XL Rib Pro

## Last Mile Tyres



Buland Mile XL Rib



Buland Mile XL

## Passenger Car and Utility Vehicle Tyres



Fuelsmarrr



Milaze For SUV



CZAR Sport

## Tractor Tyres



Aayushmaan Plus

## Truck Bus Radial Tyres



WinSuper-D

## YEAR IN REVIEW

### 1. Awards and Recognitions

- CEAT ranked No. 1 in J.D Power 2017 Study Results in Passenger car and Utility vehicle segment for new vehicles
- Halol Plant awarded with the 'Sword of Honour' award by British Safety Council
- Halol plant received 5 Star rating from British Safety Council for upgraded safety measures implemented at the plant.
- CEAT ranked No. 2 in the "middle weight" category in the India's Fastest Growing Companies issue of Business World
- CEAT won the "End to End Customer Solution" category at 6th Annual Manufacturing & Supply Chain Awards, 2016

### 2. Enduring OEM partnership

- CEAT was the first source for new vehicles like Hero Achiever, Bajaj V12, Honda Navi and Mahindra Bolero Power+.
- Hero Splendor 110 iSmart launched on CEAT tyres.
- Win Super D Approval in Volvo Eicher
- India's first premium electric bike Tork T6X was launched on CEAT
- For Daimler trucks, CEAT tyres were approved in T&B radial category

### 3. New Product launches

92 new SKUs were introduced in FY 2016-17. Prominent few amongst them were:

- WIN Series in TBR Launched
- Launched Puncture Safe Tyres for 2 wheelers
- CEAT's fuel-efficient tyre range - 'Fuelsmarrt' in passenger car category
- Milaze range for taxi segment
- 'Aayushmaan Plus' range of tractor front and rear tyres with unique puncture pads

### 4. Branding Initiatives around Safety

- Social Media campaign #NoMoreFunny trended with over 1.3 Mn views on Youtube. Campaign endorsed by Mumbai Police
- CEAT "Drive Safe Dad - Bobblehead" Campaign launched
- CEAT "It Helps" Campaign

### 5. Cricket association

- A 4-year bat endorsement deal signed with cricketer Ajinkya Rahane



- 2016 edition of CEAT Cricket Rating Awards was successfully conducted
- Official partner for IPL's Strategic Timeout Partner

### 6. Launch of CEAT Bike Shoppes

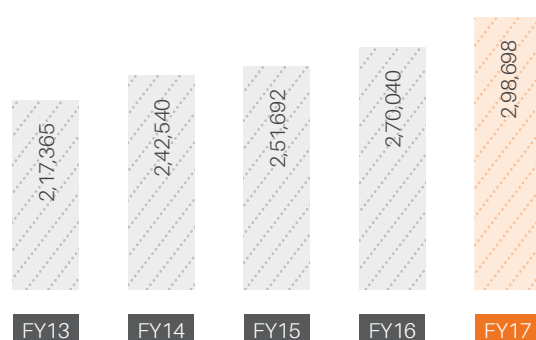
### 7. Long term credit rating upgraded to AA by CARE and India Ratings & Research



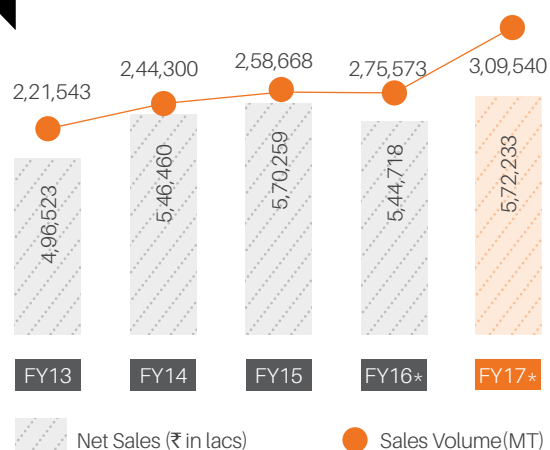


## KEY PERFORMANCE INDICATORS (CONSOLIDATED)

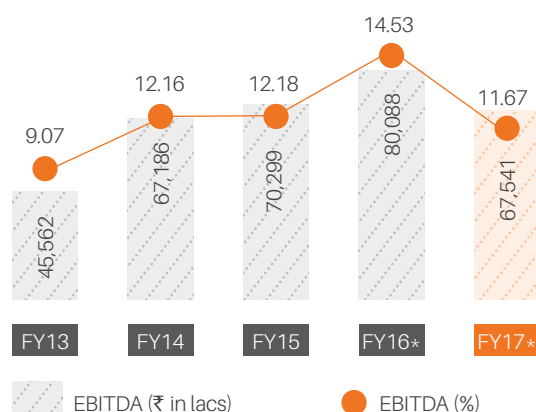
### TOTAL PRODUCTION (MT)



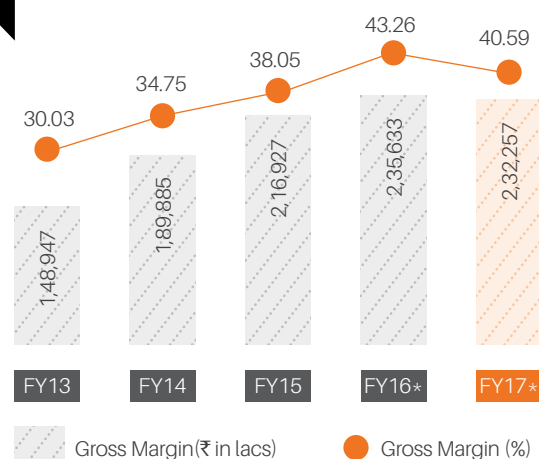
### NET SALES/ SALES VOLUME



### EBITDA



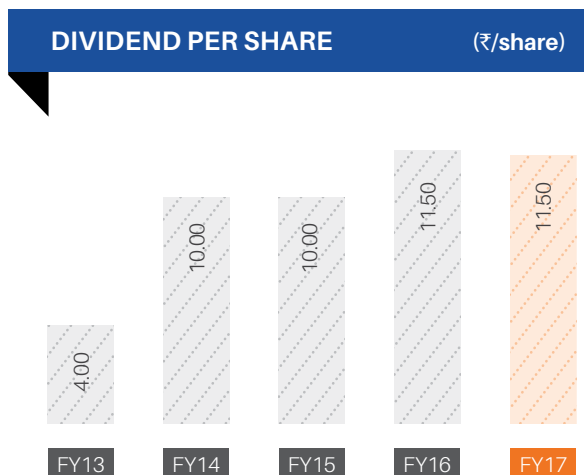
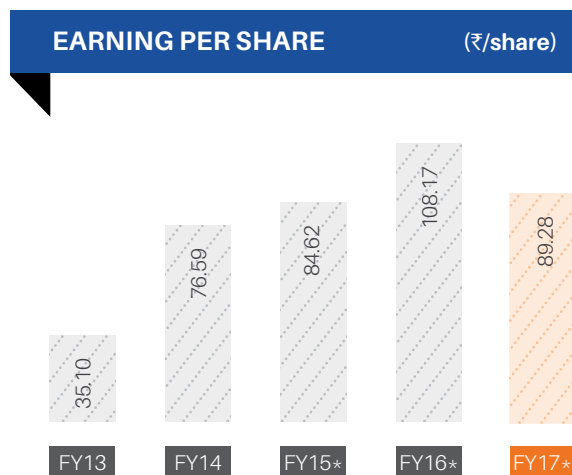
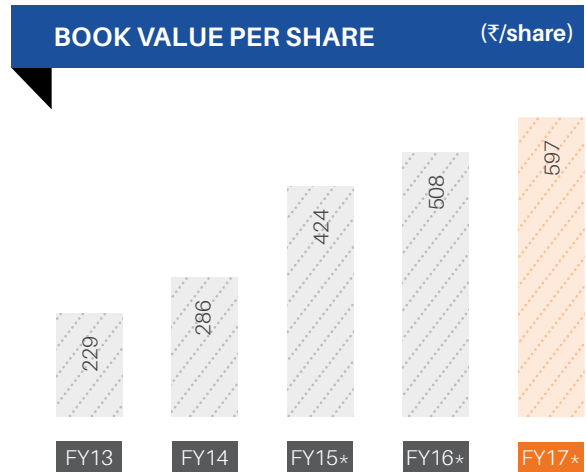
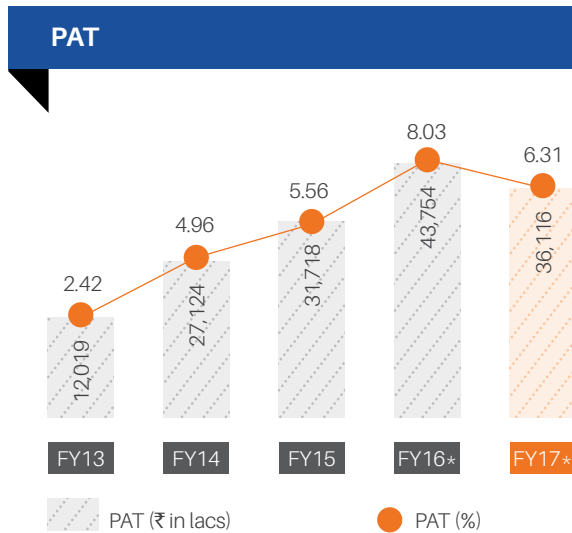
### GROSS MARGIN



\* The Company transitioned to IndAS from April 1, 2015  
Thus previous year's figures are not comparable.

1 Total production figures are only for standalone.

2 EBITDA includes Non Operating income.

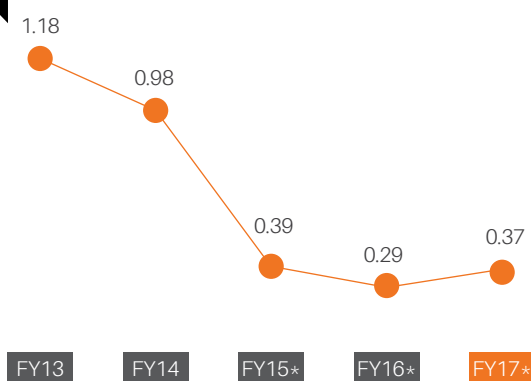


\* The Company transitioned to IndAS from April 1, 2015. Thus previous year's figures are not comparable.

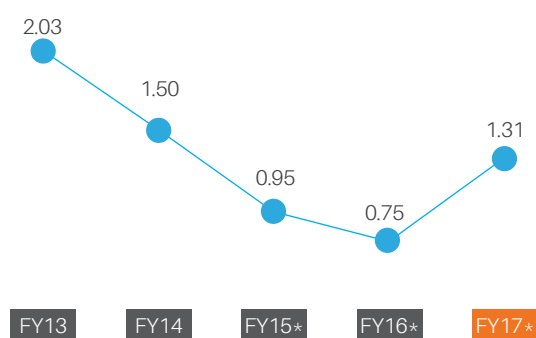
3 PAT is considered after minority interest

## KEY PERFORMANCE INDICATORS (CONSOLIDATED)

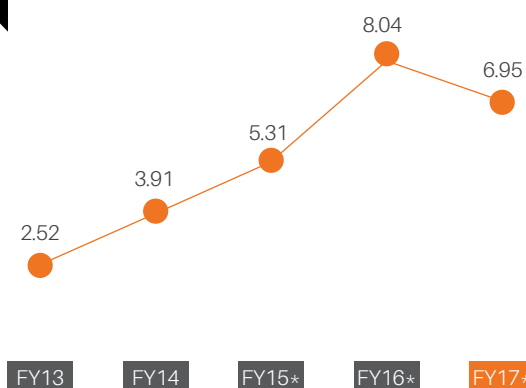
### NET DEBT/EQUITY



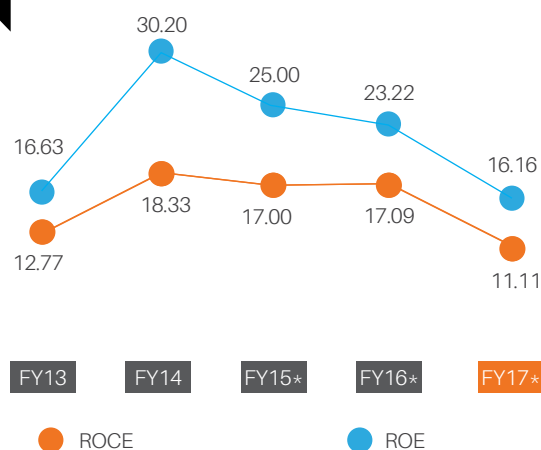
### NET DEBT TO EBIDTA



### EBIDTA/INTEREST



### ROCE/ROE (%)



\* The Company transitioned to IndAS from April 1, 2015. Thus previous year's figures are not comparable.

4 Interest includes interest capitalised during the year.

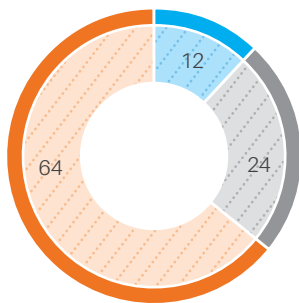
5 Average capital employed considered for ROCE

6 ROCE calculated based on PBIT\* (1 - Tax Rate)



### SEGMENT-WISE REVENUE

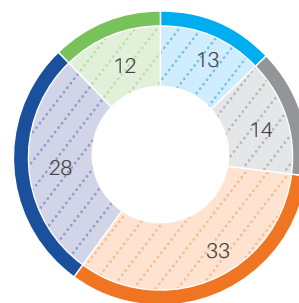
(%)



Exports OEM Replacement

### CATEGORY-WISE REVENUE

(%)



LCV PC/UV Truck & Bus  
Two Wheeler Speciality/Farm

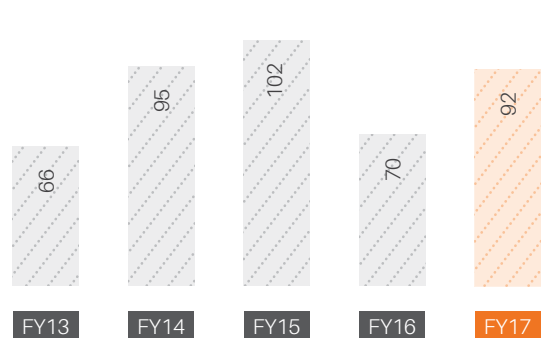
### CEAT SHOPPE AND DISTRICT COVERED

No. of CEAT Shoppes

District Coverage



### NEW PRODUCTS DEVELOPED



COMMITTED TOWARDS A

SAFER

TOMORROW



CEAT Halol Plant has received British Safety Council 'Sword of Honour' in 2016 for demonstrating outstanding commitment to safety.

At CEAT, Safety is imperative and we go that extra mile to ensure and affirm it in our products.

CEAT's range of tyres undergo extensive quality checks to ensure endurance and grip control. We have built an ecosystem where designing, testing and extensive field research validates the life and performance of the tyres.



## Differentiated Products

CEAT is known for developing cutting edge products for its customers. CEAT has always prided itself for its customer centricity and manufactures tyres keeping their driving requirements and road infrastructure in mind.

## CZAR Sport

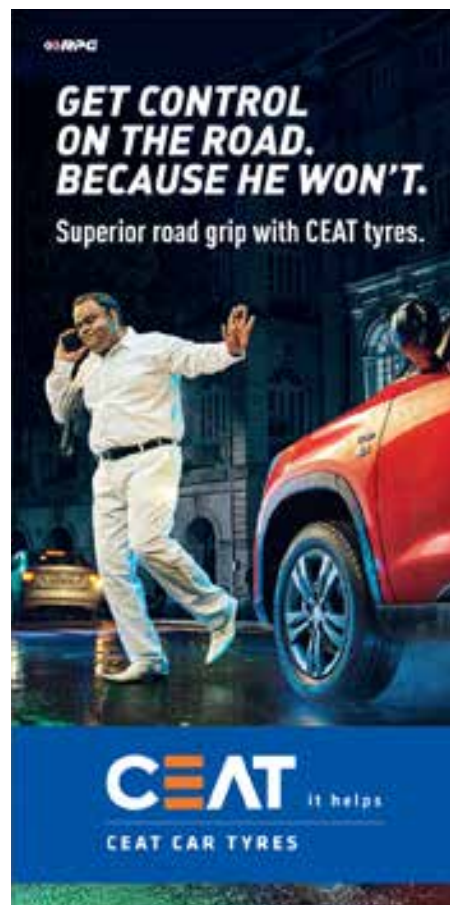


Designed for compact SUVs, CZAR Sport tyres have asymmetric patterns, giving better description wet-grip and aquaplaning.

## Pro 'Gripp MX'



"Pro Gripp MX" tyres are specially designed for very advanced and specialized needs of adventure / rally sports motorcycles. The tyres are designed with well-placed higher stiffness, self-cleaning blocks made up of special rubber compound. The self-cleaning block allows the biting grip of the tyre to be intact in loose muddy terrain making the tyre and the rally sports safer than ever.



## Brand communications

Road safety being central to CEAT's philosophy, we invent ways to communicate 'Safe Mobility' to our consumers and design brand communications in line with this thought.

### Drive Safe Dad campaign

An initiative focused on discouraging dads from over-speeding their vehicles which is one of the major causes for road accidents.

### CEAT installs Breath-Analysers in Mumbai Pubs

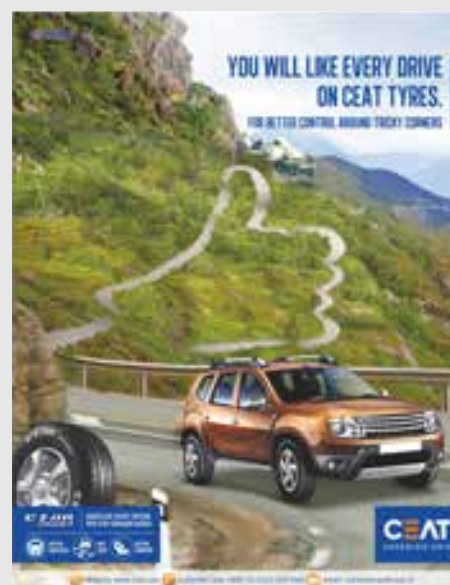
CEAT in association with Mumbai Police installed Breath-Analysers across multiple pubs in Mumbai.

### CEAT amplifies awareness on road safety

CEAT launched an initiative aimed to intensify 'Road Safety' message across major cities in the country.

### Safer and smarter mobility

CEAT launched its 'in the game called Roads, CEAT helps' TVC campaign taking its concept of 'Be Idiot Safe' further.





DRIVING TOWARDS A

# SMARTER

TOMORROW



The Company is aiming for leadership position in the passenger vehicle space with 'Smarter' range of products, especially in the two-wheeler segment.

At CEAT, building smarter products for smarter tomorrow is the driving force. We focus on investing in upgrading technological capabilities and R&D to deliver high quality, innovative and specialized products across categories.

CEAT facilities are well equipped with new simulation technology for predictive testing enabling better understanding of products.

## SMART Plant at Nagpur

Our new 2W plant at Nagpur is being developed on the lines of a smart plant. Through digitalisation, we aim to improve our operational efficiency. Mistake proofing, Auto Safety Interlocks, Centralised Recipe Management and Warehouse Management are also a part of this project.

This will be a stepping stone in the journey of CEAT tyres where machines will talk to each other and improvise to deliver quality products based on algorithms.

## Smarter Products

### Milaze Tubeless



Tubeless tyres - Improved Tread Life with Uniform Wear for Better Durability

### Puncture Safe



CEAT's new breed of 'Puncture Safe' tyres, for the two-wheeler market, is set to revolutionize the tyre industry by offering a technology to consumers that will allow tyres to resist punctures with no loss of air pressure and allow a hassle free and safe ride. Being 'one of a kind' in the country, the 'Puncture Safe' range is designed to vastly improve on the safety aspects since tyre bursts is one of the major reason for road accidents.

With this, CEAT is a step closure to its vision of making mobility safer and smarter.

### Milaze



Milaze tyres are designed to provide superior mileage for everyday rides. These tyres are designed to last upto 1 lakh kilometres

### Buland Mile-XL



Made of strong Nylon Casing, Buland tyres give a new dimension to small commercial vehicles.

### Aayushman Plus



"Aayushman Plus" range of tractor front & rear tyres are built with unique puncture pads, to provide puncture protection.

## Research & Development

The state-of-the-art R&D facility at Halol plant is focussed on development of breakthrough products, alternate materials, green tyres and smart tyres.

CEAT has invested heavily in R&D in last few years. CEAT's R&D is focussed on development of break through products for the customers. It actively partners

with institutes of global repute in order to augment its competency and capability. R&D centre houses an objective testing facility along with the facility for simulation technology for predictive testing. This serves as a testament to CEAT's superior product and service offerings.



CREATING A

# SUSTAINABLE

TOMORROW



CEAT follows environment protection principle of "Reduce, Reuse and Recycle"

At CEAT, utmost care is given to carry out our operations in an eco-friendly manner. We have developed a whole new range of fuel efficient tyres. Last year, we implemented several projects to reduce our carbon emissions like solar energy projects, installation of steam turbine on waste recovered steam.







## Awards and Recognition

“Sword of Honour” for Halol plant for implementing British Safety Council’s Health and Safety Management System

OHSAS 18001 (Occupational Health and Safety Management System) certification for Nagpur Plant.

### Creating a Sustainable Environment

CEAT follows environment protection principle of ‘reduce, reuse and recycle’. The Company has adopted several measures to maintain ecological balance around its production facilities. Consistent effort goes into reducing hazardous residuals, water consumption and wastage and improving overall health of the surrounding areas.

‘Zero Liquid Discharge’ is one such initiative, whereby CEAT plants are equipped to use minimum amount of fresh water. We have intelligently designed machines which recycle the water unless it is deemed unfit for further use. This has helped us save approximately 1,16,000 kilolitres of

water till date. The company is also sensitive towards having a safe, sustainable work environment for its employees.

### Sustainable Products

#### TORK T6X launched on CEAT

India’s first premium electric bike Tork T6X was launched on CEAT tyres. T6X is designed to travel over 100 Kms on a single charge; is ideal for city riding and would be equivalent to a 200cc petrol-powered motorcycle.

#### Fuelsmarrr

CEAT’s all new fuel-efficient tyre range – Fuelsmarrr has hit the market. The product offers upto 7% better saving on fuel, longer tyre life and an optimised

riding and driving experience when compared to normal tyres. These new CEAT tyres are made of stiffer tread pattern and advanced polymer for optimised contact area, enabling better control of the vehicle while turning. With this product, CEAT is ready to offer not just safer and smarter mobility but at economical rates. The Fuelsmarrr range of CEAT tyres is available for different cars like Wagon R, Swift, Etios, Baleno, Alto and others.

### Sustainable Associations

CEAT has further strengthened its reach with stronger OEM partnerships. Honda Activa 125, Maruti Suzuki Wagon R, Ashok Leyland, Volvo Eicher LCV are a few new associations built to widen the reach.

## BRAND INITIATIVES PROMOTING SAFER & SMARTER TOMORROW

Road safety is imperative to CEAT's business philosophy and we use creative mediums to propagate the same through various brand communications and partner associations.



### Our Grip, Your Story

Centred around CEAT's premium SUV tyres



### Safer and Smarter mobility

CEAT launched its 'In the Game called Roads, CEAT helps' TVC Campaign taking its concept of 'Be Idiot Safe' further.



### CEAT Amplifies Awareness on Road Safety

CEAT launched an initiative aimed to intensify 'Road Safety' message across 13 locations in the country.



### CEAT partnered with xBHP for a ride to Spiti Valley

CEAT tyres fitted on Bajaj Dominar bike, went through harsh terrains and tough conditions. Tyres performed extremely well, lending a confident and reliable ride to the riders.



### CEAT partners Mahindra Adventure

CEAT announced its collaboration with Mahindra Adventure for hosting seven of the most challenging expeditions of the country.



### CEAT associated with Renault Gang of Dusters

Our focus towards safety, grip and stability, a vital component for off-roading journeys, is a key driver for our association.





### CEAT Felicitates Outstanding Performances in Cricket

CEAT Tyres celebrated the glory of International cricket with 'CEAT Cricket Rating (CCR) International Awards 2016'.



### Associate Sponsor & Strategic Timeout Partner in IPL 10



### CEAT "Drive Safe Dad - Bobblehead" Campaign

An initiative focused on discouraging dads from over-speeding their vehicles.

## SAFER & SMARTER CUSTOMER ORIENTATION

CEAT is dedicated to its customers and goes that extra mile to ensure that the association never fades. Everything that CEAT does is to satisfy and delight customers.

**WE'VE TOPPED THE SCOREBOARD.**

**WE'RE NO. 1**

**IN THE JD POWER CUSTOMER SATISFACTION STUDY.**

The word's out. Our consistent on-road performance has helped us surpass all competition and reach all the way to the top in the prestigious JD Power Customer Satisfaction study.

**CEAT** it helps

### CEAT Ranks Highest in India for OE Tyre Customer Satisfaction

During FY 2016-17, CEAT has been ranked No. 1 in India for customer satisfaction in passenger car and utility vehicle tyre segment, according to the J. D. Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI) study. J. D. Power study, now in its seventeenth year, measures satisfaction among Original Equipment tyre owners during the first 12 to 24 months of ownership. Redesigned

in 2010, the study measures overall satisfaction by examining four factors (listed in the order of importance) Appearance, Durability, Ride and Traction/Handling. The result is a testimony to CEAT's continued focus on developing best-in-class products through a robust customer insighting process backed by a strong Research and Development (R&D) team.

#### Study Rankings

CEAT ranks highest in overall customer satisfaction (893) and performed well on all the parameters. The 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI) Study is based on 3,346 responses from new-vehicle owners who purchased their vehicle between May 2014 and August 2015. The study was fielded between May and August 2016.



Appearance

Durability

Ride

Traction/ Handling



## ENVIRONMENT, HEALTH & SAFETY PRACTICES

CEAT stands strong by its objective of creating safe environment – both on road and off road. In pursuit to achieve the goal, the Company has defined systems and processes to reduce workplace accidents, illnesses and other environmental issues and defined it under Zero Accidents, Zero Occupational Illness and Reduce, Reuse & Recycle categories.

### Zero Accidents

CEAT aims at having 'Zero Accidents' – both, on road and off road. CEAT conducts extensive training programs on safety parameters. The Company has adopted British Safety Council's (BSC) Five Star Occupational Health and Safety Management System as benchmark to its own systems and CEAT Halol Plant was recognised with 'Sword of Honor' for its safety management systems.

### Zero Occupational Illness

Occupational health hazard is a critical issue at CEAT. It is crucial for the Company to have a healthy work environment with zero occupational illness records. In line with this initiative, the Company has designed programs to create health awareness amongst employees.

24-hour Occupational Health Centres supervised by qualified professionals, first-aid kits, annual health check-ups, ambulance on call are a few measures taken to control health related issues.

### Reduce, Reuse and Recycle

CEAT follows the environment protection principle of 'reduce, reuse and recycle'. The Company works hard to maintain the ecological balance around its production facilities and takes enough measures to ensure the well-being of both the facility as well as the surrounding areas.

In FY 2016-17, CEAT implemented projects to reduce fresh water consumption in manufacturing plants and announced Halol, Nashik & Nagpur Plants as 'Zero Liquid Discharge' Plants.

Waste management, energy efficiency, environment hygiene are a few other projects that CEAT closely monitors and actions upon.

## CORPORATE SOCIAL RESPONSIBILITY

**CEAT has a vision to drive 'holistic empowerment' of the community and carries CSR initiatives through RPG Foundation, a public charitable trust, qualified to undertake CSR activities in accordance with Schedule VII of the Companies Act, 2013:**

### Netranjali



The project aims at providing comprehensive Vision/Eye care to prevent avoidable blindness. During the year, 8,40,310 under-privileged in three target groups viz. elderly, truckers and children were educated on eye care.

The project screened 1,20,645 people through 935 eye camps.

54,685 spectacles were distributed and 13,685 cases referred.

### Swayam



The project aims to promote Gender Equality and Women's Empowerment and drive powerful social change in the transport industry by training underprivileged women in driving skills to enhance livelihood across sectors such as Taxi, school vans and entrepreneurial ventures.

Successfully completed training for 57 batches across 17 locations.

### Road Smarrt



In line with the motto of safety, the Company launched "Road Smarrt" - to advocate safe driving and prevention of road fatalities. The Company targeted school children and parents to create awareness amongst children who are the future road users.

The Company launched sessions in 20 schools in Mumbai covering over 10,000 children.



## Pehlay Akshar



The project focuses on Primary Education with emphasis on English speaking and reading skills to enhance employability. During the year, the project covered 30 schools and trained 290 teachers impacting 35,000 students.

The initiative reached out to 2912 students across 26 schools in Mumbai, Halol and Nashik.



## Jeevan



The project focuses on improving quality of life in areas of clean drinking water, sanitation and health and nutrition. The project provided nutritional support and safe drinking water in schools and installed rain harvesting structures. Further, in support of the Swachh Bharat Abhiyan, sanitation facilities were provided through construction of toilets in the communities around the Company's plants.

## Skill Development:

### Project Saksham

During the year, 155 less privileged women and youths were trained in tailoring, entrepreneurship, mobile phone repairing and preparing nutritional snacks.



### Project Sanjeevani

The project trained 182 less privileged women and youths in patient care assistance as an alternate livelihood option in the communities around the Company's plants.





## AWARDS



CEAT ranked number 1 in J.D. Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI)

CEAT won the "End to End Customer Solution" category at 6th Annual Manufacturing & Supply Chain Awards, 2016

Sword of Honour and 5 Star Rating from British Safety Council awarded to Halol Plant

CEAT received the ABK -AOTS: 5S Excellence Award

CEAT bagged the ABK -AOTS: 5S Sustenance Award

CEAT's Drive Safe Dad Campaign won Silver Award for Best Media Innovation Radio at the Big Bang Awards

CEAT's "Chase The Monsoon-3" campaign was awarded with Silver Award for Best Integrated Media Campaign-Films/TV shows/Events at India Digital Media Awards



# CORPORATE INFORMATION

## Board of Directors

### H. V. Goenka

Chairman

### Anant Vardhan Goenka

Managing Director

### Arnab Banerjee

Executive Director- Operations

### Atul C. Choksey

### Haigreve Khaitan

### Hari L. Mundra

### Mahesh S. Gupta

### Paras K. Chowdhary

### Punita Lal

### Ranjit V. Pandit

### S. Doreswamy

### Vinay Basal

## Company Secretary & Compliance Officer

Shruti Joshi

## Legal Advisors

Mulla & Mulla & Craige, Blunt & Caroe

## Auditors

S R B C & CO LLP

## Audit Committee

Mahesh S. Gupta (Chairman)

Hari L. Mundra (Member)

S. Doreswamy (Member)

Vinay Bansal (Member)

## Stakeholders' Relationship Committee

S. Doreswamy (Chairman)

Mahesh S. Gupta (Member)

Paras K. Chowdhary (Member)

## Nomination and Remuneration Committee

Mahesh S. Gupta (Chairman)

Paras K. Chowdhary (Member)

S. Doreswamy (Member)

## Corporate Social

### Responsibility Committee

Anant Vardhan Goenka (Chairman)

Hari L. Mundra (Member)

Vinay Bansal (Member)

### Risk Management Committee

Mahesh S. Gupta (Chairman)

Hari L. Mundra (Member)

S. Doreswamy (Member)

Vinay Bansal (Member)

## Registrar and Share Transfer Agents

### TSR Darashaw Limited

6-10, Haji Moosa Patrawala

Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi,

Mumbai - 400011

## Debenture Trustee

Axis Trustee Services Limited

Axis House, Ground Floor,

Bombay Dyeing Mills Compound,

Pandurang Budhkar Marg,

Worli, Mumbai - 400025

## Bankers

Bank of India

Bank of Baroda

State Bank of India

ICICI Bank

IDBI Bank

Corporation Bank

Yes Bank

Axis Bank

The Hongkong and Shanghai Banking Corporation Limited (HSBC)

Standard Chartered Bank

Kotak Mahindra Bank

## CEAT Limited

Corporate Identification Number (CIN): L25100MH1958PLC011041

## Registered Office

463, Dr. Annie Besant Road, Worli, Mumbai 400 030

## Plants

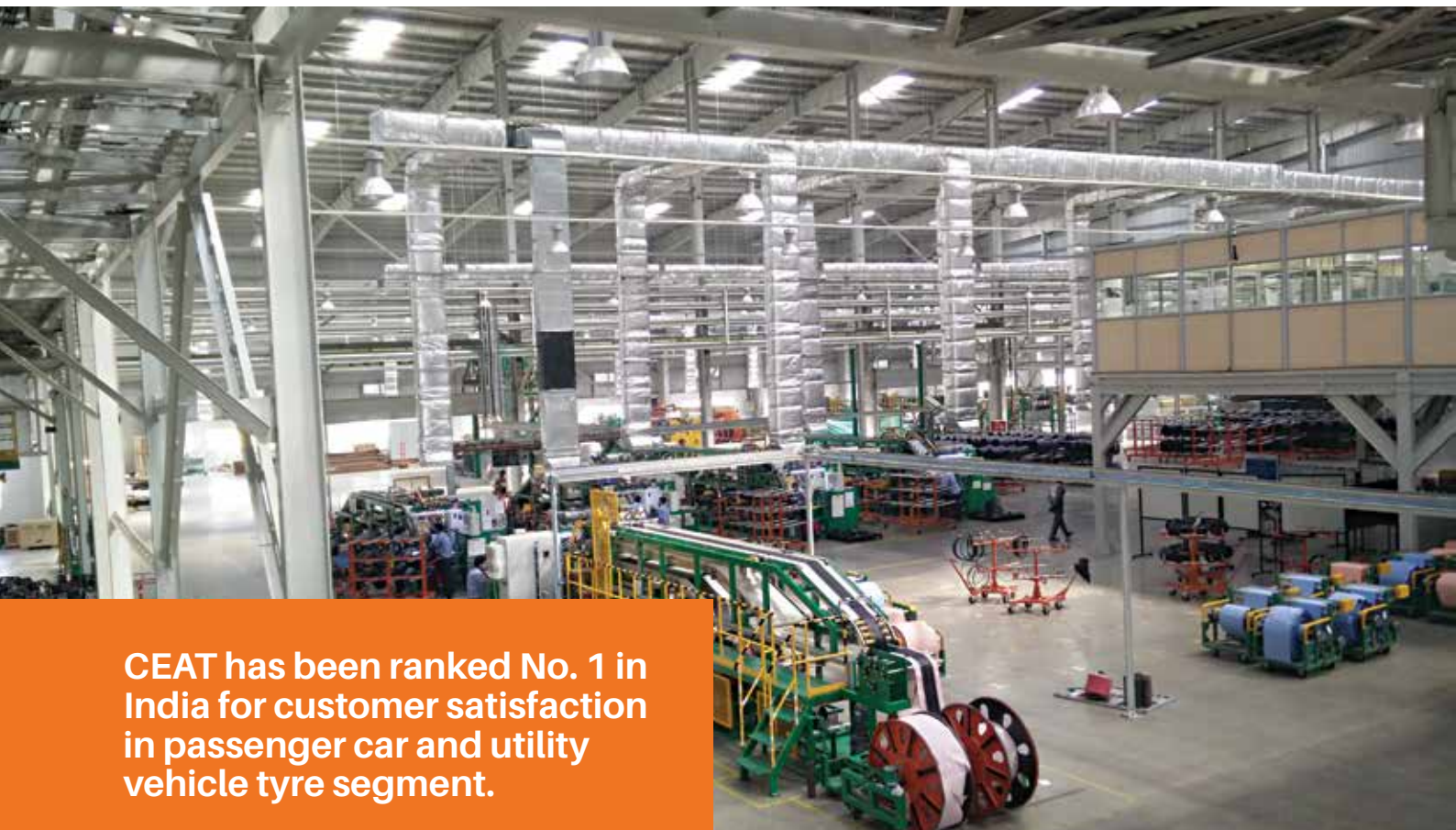
Village Road, Bhandup, Mumbai 400 078

82, MIDC, Industrial Estate, Satpur, Nashik 422 007

Village Gate Muvala, Halol, Panchmahal, Gujarat 389 350

Plot No.SZ-39, Butibori MIDC, Nagpur 441108.

## MANAGEMENT DISCUSSION AND ANALYSIS



**CEAT has been ranked No. 1 in India for customer satisfaction in passenger car and utility vehicle tyre segment.**

### About CEAT Limited

CEAT is one of India's leading tyre manufacturers with a global presence. CEAT produces over 26 million tyres a year, with a wide range of radial and bias tyres for both commercial and passenger vehicle segments. It is dedicated to the passionate pursuit of excellence in performance and quality through a range of distinctive products. The brand stands for safer and smarter mobility and the Company strives for delivering high and consistent quality products that ensure safety of its consumers and make their drive a pleasurable one.

In the last 5 (five) years, it has emerged as the fastest growing company in the industry in terms of revenue growth. Driven by its purpose of 'Making Mobility Safer & Smarter. Everyday.' and governed by its core values of 'CAIRO'\*, CEAT is committed to long-term value creation for all its stakeholders. During the same period, the Company has delivered the highest returns to shareholders in tyre industry in India.

In last few years, the industry has witnessed high growth rates in the passenger cars, utility vehicle and two-wheeler segments. In keeping with the trend, CEAT decided to focus on these segments about six years ago. Since then, it has been

consistently investing in brand building, innovative product development and extensive expansion of its distribution network.

Going forward, the Company has committed an investment of ₹ 2,800 Crores over the period of next 5 (five) years. The greenfield facility for two and three-wheeler tyres (Nagpur) and brownfield facility for passenger car and utility vehicle tyres (Halol) have already been commissioned and are under ramp-up currently.

During FY 2016-17, CEAT has been ranked No. 1 in India for customer satisfaction in passenger car and utility vehicle tyre segment, according to the J.D. Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI) Study. The result is a testimony to CEAT's continued focus on developing best-in-class products through a robust customer insighting process backed by a strong Research and Development (R&D) team. CEAT has also received 'Sword of Honor', the highest manufacturing excellence award by the British Safety Council for its Halol plant recently, emphasising CEAT's thrust on safety.

\*CAIRO stands for Challenger, Aspiration led, Integrity, Result obsession and Openness

## Global Economy

### Sluggish growth in 2016

The world economic growth rate remained subdued at 3.1% in 2016. This was largely due to the turbulences in the world markets during the first half of the year. Brexit, China's slowdown, low oil prices and overall economic weakness in Japan, the US and Europe were primarily responsible for slow economic growth.

Moreover, the recovery of global economy was weighed down by spillover effects of Brexit and uncertain trade policies of the new White House regime; both of which led to unpredictable policies cautioning investors. Besides, the tightening purse of the US Federal Reserve dampened private investments further hurting global growth prospects.

Meanwhile, in the advanced economies, these setbacks were offset by 'stronger than expected' economic activities during the second half of 2016. This was clearly visible in the US, displaying a decelerated unemployment rate; and in the UK which witnessed a rise in domestic demand following Brexit. These higher than expected changes in advanced economies set in motion a growth trend. If this trend continues, the world economy is expected to pick up steam in 2017 and grow by 3.4%.

**USA:** The projected growth for the US economy has been revised upward by the International Monetary Fund (IMF). This reflects the assumed fiscal policy easing and an upswing in confidence, especially after the Presidential elections. If such a scenario persists, it will reinforce the cyclical momentum. There is however, pervasive uncertainty around policy shifts.

**Euro Zone:** Clouded by Brexit and slowdown in major economies of the region, such as Germany, Spain and Italy, the Eurozone's economic performance is expected to remain

insipid, predicts IMF. Moreover, the medium-term outlook for the region as a whole remains dim due to weak productivity, adverse demographics and election uncertainties.

**Japan:** IMF upgraded its forecast for Japan's GDP growth in 2017 to 1.2% owing to increased exports. However, the declining fiscal stimulus in 2018, is likely to bring down its GDP to 0.6%. Moreover, inflation due to higher fresh food prices and fading effects of the earlier appreciation of yen will influence the economy. Moreover, the country's dwindling labour force is likely to bring problems for the economy in the long term.

**United Kingdom:** Economic growth held up better than expected in the second half of 2016, but has stumbled in 2017. Rising inflation, driven by the depreciation of sterling, is likely to squeeze household income and depress consumer spending, which has been the primary driver of economic growth in recent years. Besides, a hung parliament after the snap general election will further jeopardise firm policy initiatives to drive economic growth.

### Emerging Market and Developing Economies (EMDEs):

EMDEs are projected to grow by 4.5% in 2017. Among these economies, China is expected to show strong growth at 6.5% (compared to the previous estimate of 6.2%). This is because Chinese administration is directing policy stimulus measures into the economy. However, moderation in growth prospects is expected among large economies such as Brazil and Mexico.

# ₹ 2,800 Cr.

Going forward, the Company has committed an investment of ₹ 2,800 Crores over the period of next five years.

### Global GDP growth trend (%)

	2015	2016	2017 (P)	2018 (P)
<b>World Output</b>	<b>3.2</b>	<b>3.1</b>	<b>3.4</b>	<b>3.6</b>
<b>Advanced Economies</b>	<b>2.1</b>	<b>1.7</b>	<b>2.0</b>	<b>2.0</b>
United States	2.6	1.6	2.3	2.5
Euro Area	2.0	1.7	1.7	1.6
Japan	1.2	1.0	1.2	0.6
United Kingdom	2.2	1.8	2.0	1.5
<b>Other Advanced Economies*</b>	<b>2.0</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>
<b>Emerging and Developing Economies</b>	<b>4.1</b>	<b>4.1</b>	<b>4.5</b>	<b>4.8</b>
China	6.9	6.7	6.6	6.2

P: Projections

\*(Excludes the G7 - Canada, France, Germany, Italy, Japan, United Kingdom, United States and euro area countries)

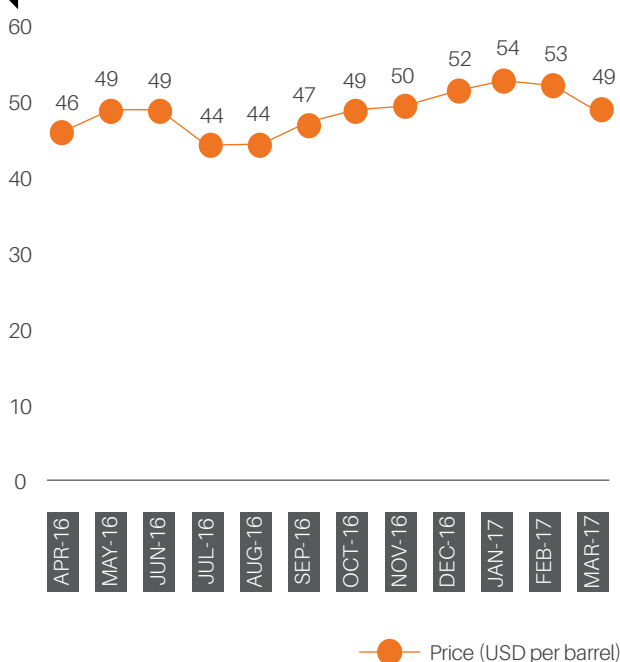
(Source: International Monetary Fund)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Crude Oil price

Crude oil prices remained between USD 44 to USD 54 per barrel during FY 2016-17, notwithstanding Organisation of the Petroleum Exporting Countries' (OPEC) efforts to cut production and stabilise the market. As India imports a large portion of its oil requirements, lower oil prices helped benefit India's economy.

**CRUDE OILS PRICE IN USD PER BARREL  
FOR APRIL 2016 - MARCH 2017**



Source: ICIS

### Indian Economy

India continues to be one of the fastest growing major economies in the world, reporting a robust GDP growth of 7.1% in FY 2016-17. Government's bold measures on many fronts are helping India reach its true potential. India's fundamental economic indicators - inflation, fiscal deficit, and current account deficit - showed reduction. India's FDI inflows stood at a record USD 60.1 billion in FY 2016-17.

- **Inflation:** The retail inflation stayed above 5% till August 2016. However, it started moderating thereafter due to a good monsoon, dropping to a two-year low of 3.4%. The average inflation for the FY 2016-17 stood at 4.5% vis-à-vis 4.9% in FY 2015-16.

- **Fiscal deficit:** The fiscal deficit as a percentage of GDP stood at 3.5% in FY 2016-17. This is expected to further go down to 3.2% in FY 2017-18.
- **Current account deficit:** The current account deficit as a percentage of GDP stood at 0.9%, which is lowest in the last 5 (five) years.

Year FY 2016-17 witnessed major reforms by the Indian Government amongst which were:

- **Demonetisation:** In FY 2016-17, the Government announced demonetisation of high denomination currency notes. The decision was aimed at curbing corruption, counterfeiting terrorist activities and accumulation of black money. With demonetisation, the economy was introduced to various long-term benefits like greater digitalisation of the economy and ensuring formalisation of it. Besides, the process strove to increase flow of financial savings into the banking system. Further, it is expected that in the long run, demonetisation may lead to a higher GDP growth. Additionally, it envisages better tax compliance and greater tax revenues by reducing corruption. Demonetisation led to a temporary demand compression across industries and retail trade was affected in the months of November, December and January. Demand started to pick up from February onwards.
- **Goods and Services Tax:** Goods and Services Tax (GST) is a single comprehensive tax levied on all goods and services consumed in the country. It is considered as India's most important tax reform post-independence. The introduction of Goods and Service Tax is a significant step in the reform of indirect taxation and will convert India into an integrated unified market. Amalgamation of several central and state taxes into a single tax would mitigate cascading or double taxation and facilitate a simplicity of tax and easier administration. GST to be implemented from July 1, 2017 is expected to lead India's economy into an era of growth, greater competitiveness and transparency while simultaneously widening the country's tax net. It is expected to contribute significantly to the GDP growth in the long run. However, making projections and targets for GST revenue in its first year of implementation would be difficult. The Company believes that GST will help bolster India's economic progress in the long run.
- **BS IV norms:** The Supreme Court banned the sale of Bharat Stage\* III (BS III) vehicles with effect from April 1, 2017 in a ruling given on March 29, 2017. It came as a setback to various automobile manufacturers who contended that the

\*Bharat stage standards are emission standards instituted by the Government of India to check the air pollution due to emissions from internal combustion engine equipment.

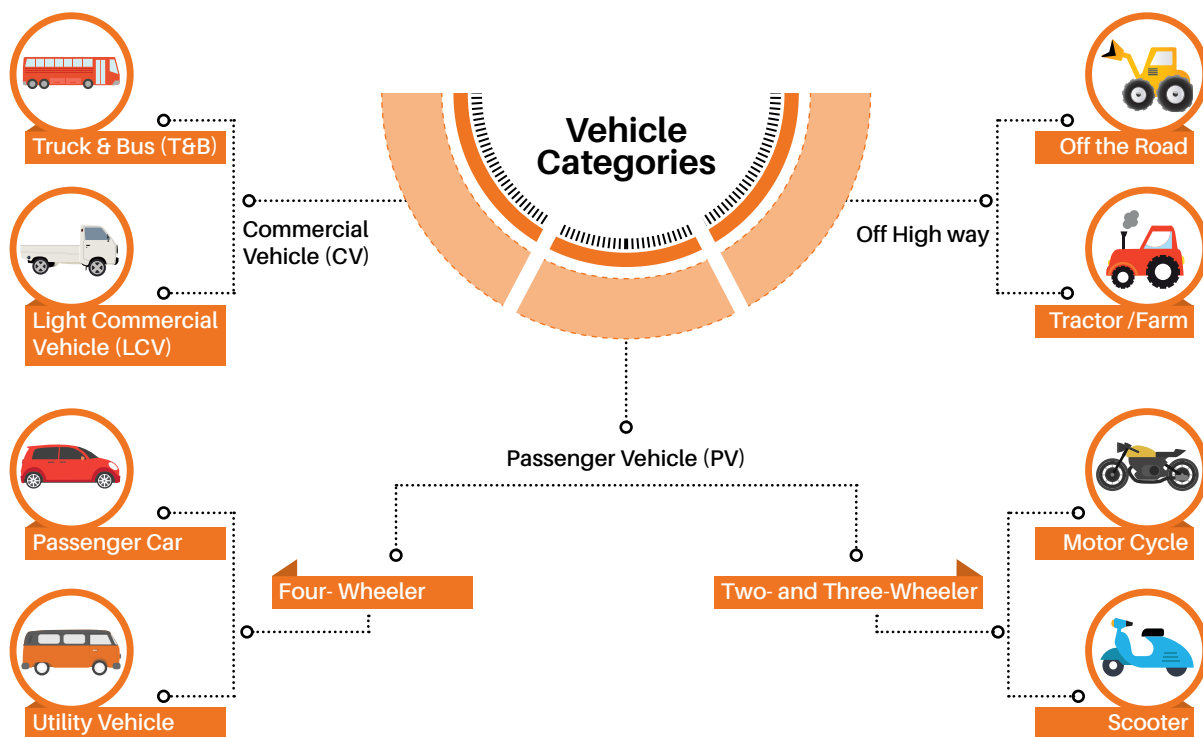


31st March deadline was only meant for production of such vehicles but their sale could continue. As per Society of Indian Automobile Manufacturers (SIAM), there was an inventory of more eight lakh BS III vehicles when the ruling was passed. OEM sale in commercial and two/three vehicle categories in the first few months of the current fiscal year is expected to go down due to inability of the OEM manufacturers to quickly ramp up to produce BS IV compliant vehicles. The situation is likely to normalise going forward.

#### Outlook for India's economy

India's GDP growth rate is expected to reach 7.4% in FY 2017-18, driven by a rebound in consumption demand, which had dampened post demonetisation. Further, the consumption growth will be stimulated by a normal monsoon, benign inflation and softer interest rates. An expected normal monsoon in 2017 will ensure that agricultural income continues to rise. Interest rates are likely to reduce further due to policy rate cuts by the Reserve Bank of India (Source: CRISIL).

#### Tyre Industry Segmentation



## MANAGEMENT DISCUSSION AND ANALYSIS

### Global Tyre Industry

Tyre industry is a capital-intensive industry which has to make heavy investments for creating capacity. Currently, global tyre industry is valued over USD 80 billion of which Passenger Vehicles (PV) tyre, Truck and Bus (T&B) vehicles tyre, and Off Highway Tyres (OHT) constitute around 90% share. The global automotive industry is constantly evolving to keep pace with the changing customer preferences, technological advancements and regulatory landscape.

Global tyre industry has expanded at a steady rate in last few years along with the growth in international automobile market. During the last seven years, the tyre industry has grown at a compounded annual growth rate (CAGR) of around 4.5%. In 2016, the global tyre market produced more than 2.9 billion units (Source: Business Wire).

The growth of the global tyre industry is driven by rising income levels, increased urbanisation, and fast economic growth in the developing countries. Rise in disposable incomes leading to increased purchasing power of consumers, worldwide, has significantly propelled the demand of automobiles and tyres globally.

As countries seek to address energy efficiency issues and reduce emissions of greenhouse gases, development in sustainable and green mobility have become a global agenda. Electric vehicles, in particular, offer a spectrum of opportunities to reduce emission, increase energy security and improving fuel efficiency. About 1.3 million electric vehicles were sold worldwide in 2016, registering a growth of 76% on YoY basis (Source: ATMA).

#### Chinese tyre market:

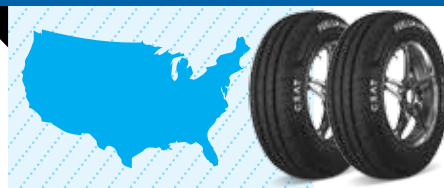


Currently, China is the world's largest market for tyres. The Chinese automobile industry has grown at a tremendous pace. It has catalysed the development of the country's tyre sector, both in terms of production as well as consumption. The operating rate of the Chinese market rebounded significantly in 2016, showing an uptrend in the off-season after October.

In 2016, export value of China was USD 12.89 billion, down by 6.9% on YoY basis. The value of tyres exported from China to the US was USD 2.1 billion, accounting for 16.3% of China's total export value of tyres in the same duration. Due to anti-dumping

and countervailing duty imposed by the US administration, Chinese imports in Truck and Bus categories suffered a setback and fell below USD 1 billion in first eleven months of 2016. However, these duties were rolled back in February 2017. The UK was the second largest market for Chinese exports. In 2016, the value of tyres exported from China to the UK was USD 0.54 billion, accounting for 4.2% of China's total export value of tyres.

#### US tyre market:



USA's automobile market is the second largest automobile market in the world. Increasing disposable income due to strengthening US Dollar, falling oil and food prices and rising standard of living are resulting in an increase in production and vehicle sales in the US. Steady growth in sales and production of automobiles, expanding automobile fleet and favourable government policies are anticipated to propel growth in the US tyre market over the next five years (Source: Business Wire).

#### European tyre market:



Europe continues to be the epicentre of all major global advancements in tyre technology. The European tyre market is predicted to grow at a CAGR of 5% during 2014-2019. All the three zones - Western, Central and Eastern Europe are expected to contribute to this growth. Tyre categories especially Passenger Cars (PC), Light Commercial Vehicles (LCV) and Medium and Heavy Commercial Vehicles (M&HCV) will witness most of this growth.

Germany, the UK, France, Italy, Spain and Poland are the major markets that contribute to more than 60% of the total Europe tyre sales in volume terms.

By 2020, passenger cars and light commercial vehicle sales are likely to reach about 16.9 million units in Western Europe, about 3.7 million units in Central Europe and 4.6 million units in Eastern Europe. Passenger vehicle is the dominant segment in European tyre market. Moreover, it is forecasted



that commercial vehicle tyre market will grow at a healthy rate due to an anticipated surge in the construction activities in Europe, especially Eastern Europe, in next few years (Source: TechSci Research).

#### Asia-Pacific tyre market:



Asia-Pacific is emerging as a hub for production of automobiles, with the automotive sector accounting for the largest private sector investment in R&D in the region.

Presence of major automotive OEMs such as Ford, Hyundai, Honda, Mahindra, Maruti Suzuki, TATA and BMW among others

**Passenger car and two-wheeler tyre categories dominated tyre demand in the Asia Pacific region and they are expected to continue their growth trend in the region through 2021.**

is propelling OEM tyres demand in Asia-Pacific. Nevertheless, replacement segment continues to dominate demand for tyres in the region due to continuing expansion of automobile fleet in Asia-Pacific.

Passenger car and two-wheeler tyre categories dominated tyre demand in the region and they are expected to continue their growth trend in the region through 2021 (Source: PR Newswire).

#### African tyre market:



The tyre market in Africa is projected to surpass USD 8 billion by 2022. South Africa, Algeria, Egypt, Nigeria and Libya are the top five tyre markets in Africa with a cumulative market share of over 70% in 2016. The tyre market in Africa grew at a moderate pace over the past few years, owing to rising passenger car and commercial vehicles sales, coupled with expanding replacement tyre market. Increasing GDP and purchasing power across the major African economies were the other predominant factors improving tyre sales in the region during 2012-2016. The African tyre market is majorly import driven and consequently, an expanding distributor and dealer network is emerging as a critical factor for enhancing tyre sales.

## MANAGEMENT DISCUSSION AND ANALYSIS

Increasing tyre radialisation, growing demand for Chinese tyres and proliferation of the used car market is anticipated to drive demand for tyres in Africa further during 2016-2022.

### Outlook For Global Tyre Industry

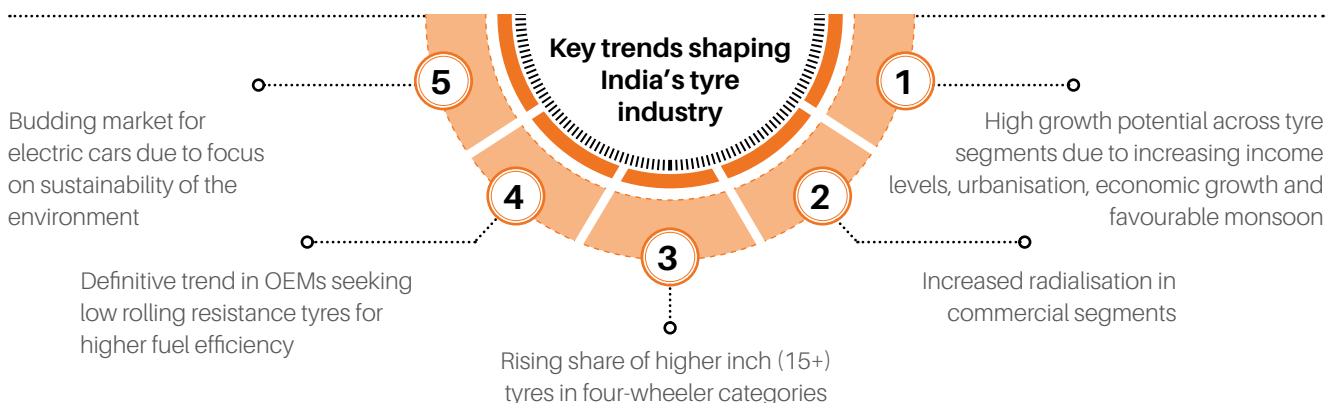
Asia-Pacific, which accounts for more than 50% of global sale is likely to grow the fastest through 2019. In 2014, China alone consumed one-fourth of the total tyres produced globally. China is expected to remain one of the fastest growing markets for tyres, in the years to come. Additionally, other countries in the region like India, Indonesia, and Thailand are also projected to witness an increased demand for tyres. Japan has the world's fourth largest market for tyres. However, over the forecast

period through 2019, it is expected to post disappointing sales and experience a contraction in demand for tyres.

The developing countries of Africa, the Middle-East and Central and South Americas are likely to register average growth in tyre sales with growth rates of below six percent.

Further, tyre demand in North America and Western Europe will record meagre increase of about 1% annually through 2019. Low demand for tyres in advanced economies is disappointing as they have matured replacement tyre markets with high rates of vehicle ownership (Source: Freedonia).

### Indian Tyre Industry



### Overview

Revenue for India's tyre industry stood at ₹ 530 billion in FY 2015-16. It caters to Original Equipment Manufacturers (OEM), Export and Replacement markets through four broad vehicle categories: Commercial Vehicle (CV), Passenger Vehicles (PV), Two-Wheeler and others including Tractors and Off Highway Tyre (OHT). Indian tyre industry has sufficient capacity to meet the needs of the country's tyre requirements.

### Industry segmentation

**Based on Vehicle Category:** The Indian tyre industry can be segmented into four broad categories based on the tyres produced for various types of vehicles. In terms of volume, two and three-wheelers tyres account for more than half of production but contribute only 13% of the industry revenues. In contrast, the Truck and Bus tyre segment contributes approximately 13% to the total tyre production, but has the highest revenue share of the industry at 54%. Passenger cars segment at 14%, in terms of revenue, has the second highest share in tyre production in India. This segment is showing an increasing trend both in numbers and revenue. Tractor and Light Commercial Vehicle (LCV) segments' total volume share stands at approximately 9%, while its revenue share stands at about 17%.

**Based on Technology:** Tyres are classified as cross-ply (bias) and radial based on the technology deployed during its manufacturing. In India, the commercial tyre segment continues to be dominated by cross-ply tyres due to road conditions, loading patterns and the high initial cost of radials. Currently, radialisation is highest in passenger cars (98%) followed by light commercial vehicles (40%) and heavy commercial vehicles (37%).

RADIALISATION		(%)
Vehicle Category		
Passenger cars	<div></div>	98
Light Commercial Vehicles	<div></div>	40
Heavy Commercial Vehicles	<div></div>	37

**Based on Market:** India's tyre industry sells to three distinct markets, namely, Replacement, Original Equipment Manufacturers (OEM) and Exports. By value, replacement accounts for nearly 60% of market and OEM and exports makes up the rest. The major reason for high replacement share is due



to the fact that the ratio of annual sale to number of registered vehicles remains in the ratio of 1:10. There are about 20.3 Crore registered vehicles vis-à-vis approximately 2.1 Crore annual vehicle sales.

**India's tyre industry revenues grew at a steady CAGR of 8% from FY 2010-11 to FY 2015-16.**

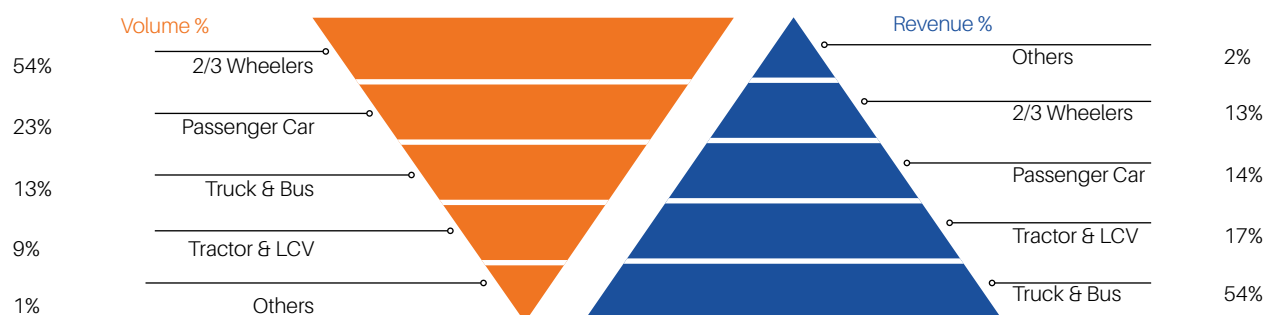
#### PERCENTAGE OF THE MARKET

(%)

Market Category

Replacement	60
Original Equipment Manufacturers (OEM)	22
Exports	18

#### TYRE INDUSTRY: VOLUME & REVENUE SEGMENTATION



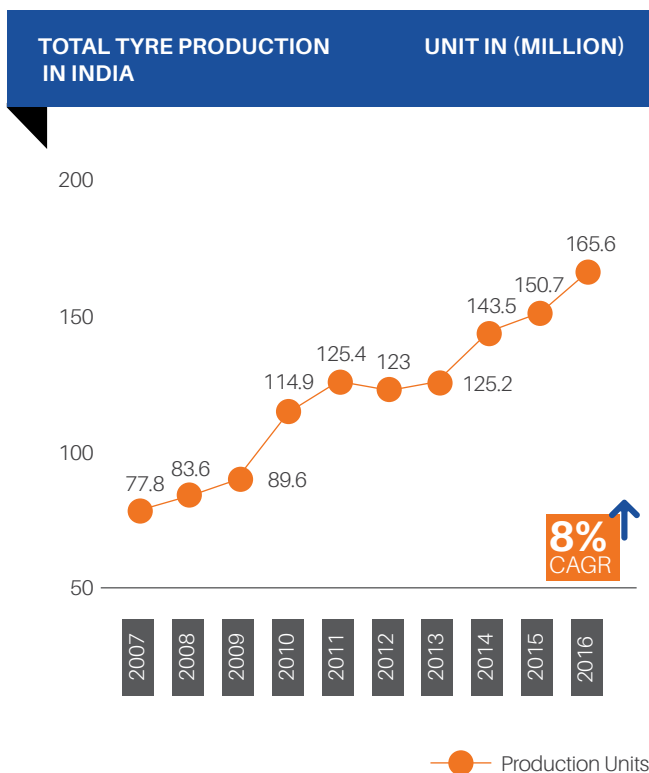
Source: Industry estimates

#### Industry growth

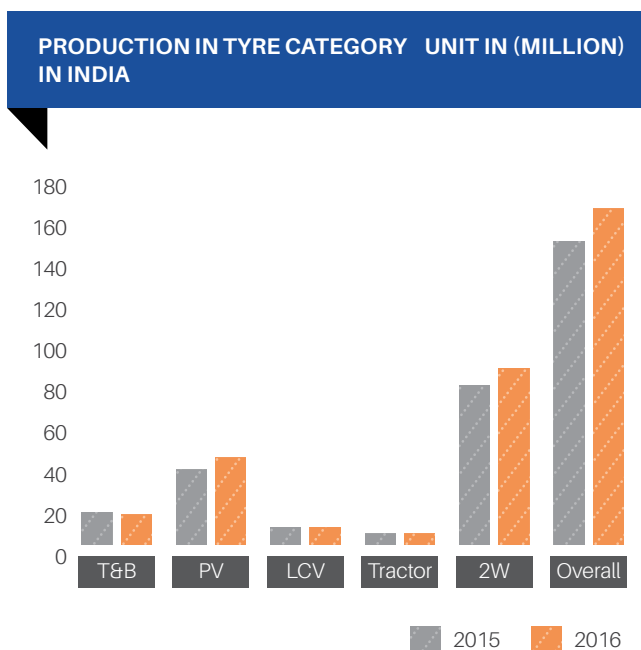
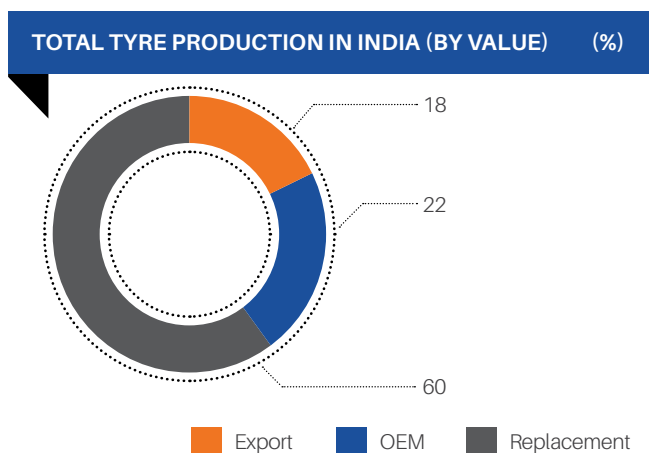
India's tyre industry revenues grew at steady CAGR of 8% from FY 2010-11 to FY 2015-16. However, revenue growth as well as profit growth was adversely affected in FY 2016-17 due to demand compression because of factors, such as demonetisation and subdued realisation due to spike in raw material prices. Chinese imports continue to pose a threat to India's tyre industry across categories. Chinese imports in India have grown by more than 350% since FY 2012-13 against the overall import growth rate of 129%. Value of Chinese imports stood at ₹ 16.9 billion in FY 2016-17. Chinese imports continued to rise at alarming rate for the first eight months of the current fiscal year. Demonetisation, though, brought down the unorganised segment's import of Chinese tyres, thereby limiting their share in last four months of the year. Nevertheless, demand in two-wheeler, passenger and tractor segments were adversely affected due to demonetisation. With the spike in raw material prices and falling realisations, industry margins witnessed contraction.



## MANAGEMENT DISCUSSION AND ANALYSIS



Source: ICIS



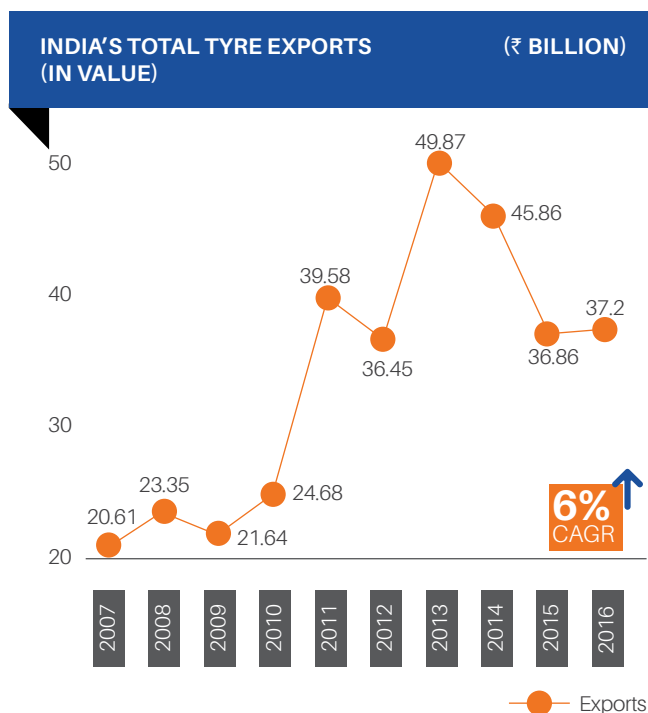
(Source: ATMA)

## Export

India's tyre export has increased at a steady rate of 6% in the last 10 years. However, year 2016 witnessed a muted growth of about 1%. In volume terms, two-wheeler tyres registered the fastest growth of 17%, followed by passenger vehicle tyres (13%) and truck and bus tyres (12%).

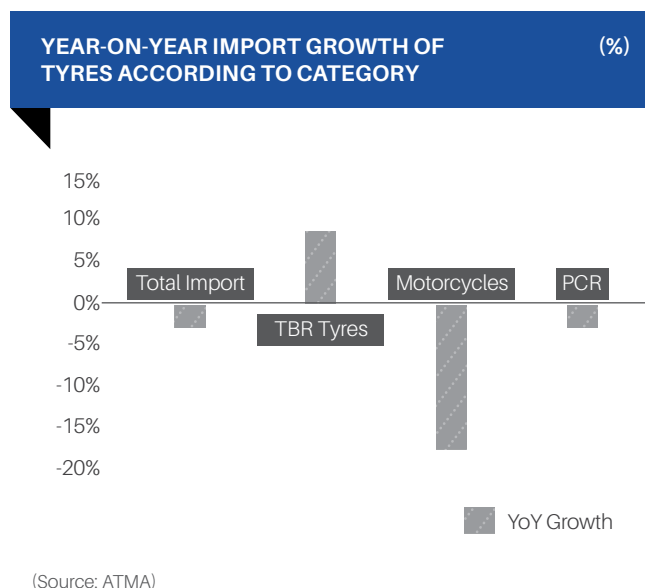
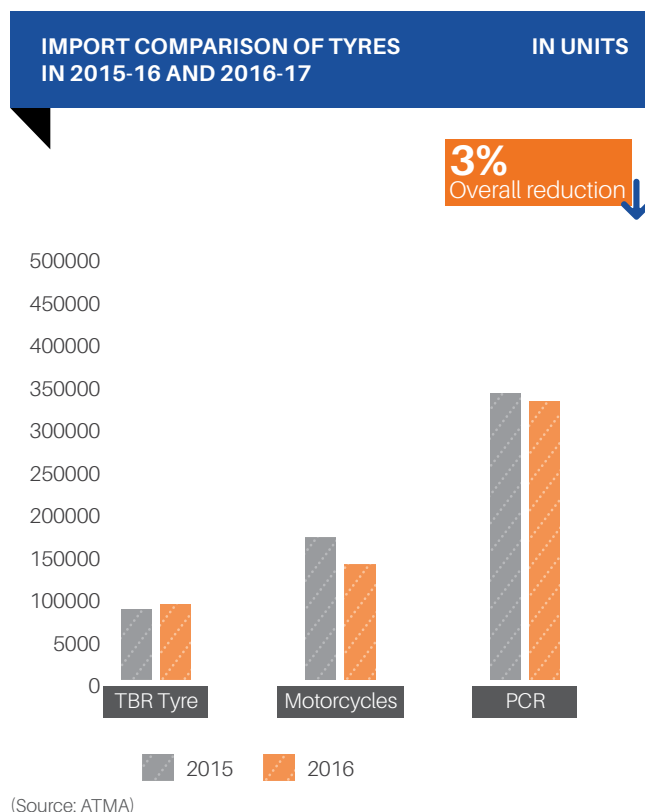
Exports to top 10 countries represent nearly half of the tyre exports from India, with USA, Germany and UAE absorbing about 25% of exports (in value terms). Exports grew at sharp rate in most of the key destinations, barring Brazil and Pakistan.

India does not have any Foreign Trade Agreements (FTAs)/ Regional Trade Agreements (RTAs) with top economies like USA and EU countries that could provide concessions on tariffs for its exported tyres. Tyre industry is largely dependent on natural rubber, synthetic rubber and crude derivatives that are largely imported and heavily taxed, which reduces exports competitiveness of the industry. Also, natural rubber falls under negative list of all FTAs/RTAs except Sri Lanka, which impacts the competitiveness of India's tyre industry.

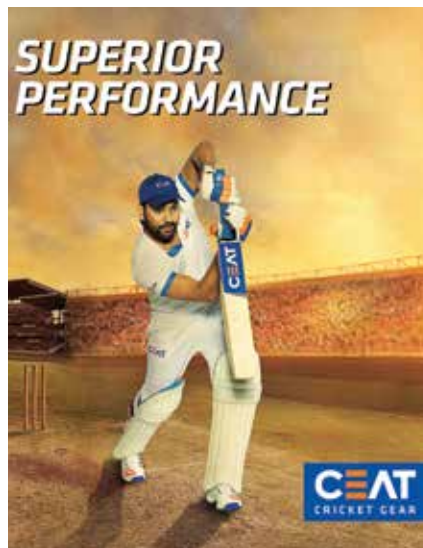
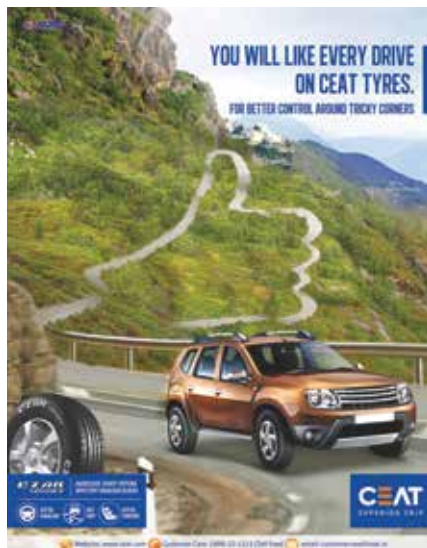


## Import

Total tyres imported in India declined by 3% in FY 2016-17 on YoY basis. Following demonetisation, the last four months of the year 2016-17 witnessed significant declines in total tyre import.



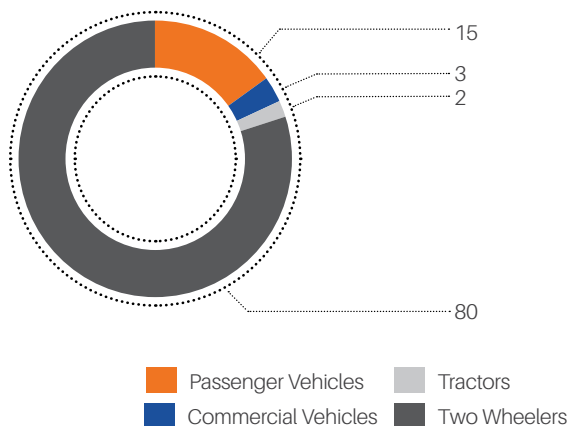
# MANAGEMENT DISCUSSION AND ANALYSIS



## Automobile industry performance

The production of automobiles in India witnessed an uptrend of 5.4% in FY 2016-17

### AUTOMOBILE CATEGORIES AND THEIR SHARE IN PRODUCTION (%)



(Source: ATMA)

**Passenger Vehicles (PV):** During FY 2016-17, domestic PV sales crossed 3 million milestone for the first time and clocked an overall growth of 9.2% on YoY basis. After moderate growth in Q1 FY 2016-17, production in PV segment witnessed double digit growth in remaining quarter of FY 2016-17. In March 2017, domestic Passenger Vehicle (PV) sales grew by 10% in the backdrop of 20.9% growth in Utility Vehicle (UV) segment followed by 8.2% growth in passenger car segment.

**Two-Wheelers:** The domestic two-wheeler industry has been gradually picking up after facing a slowdown post demonetisation. The industry grew at 13% in first two quarters of FY 2016-17 and witnessed de-growth of 3% in subsequent quarters. Overall, the industry grew by 6.9% on YoY basis with impressive growth in scooters (11%).

**Commercial Vehicles:** The domestic Commercial Vehicle (CV) industry ended the FY 2016-17 with a growth of 4.2% in volume terms largely driven by recovery in the Light Commercial Vehicle segment, which registered a growth of 7.4% in FY 2016-17 on YoY basis. In contrast, the M&HCV (Truck) segment reported flat sales during the year on account of a) weak replacement-led demand, b) subdued freight demand from industrial segments, due to demonetisation and c) lower than expected pre-buying (ahead of the implementation of BS-IV emission norms), despite high discounts being offered by the industry. During the year, the bus segment, which contributes 14% to industry sales, witnessed a growth of 5.7% in volume sales driven by stable demand from almost all segments.

**Tractors:** As a result of good monsoon, tractor recorded the highest volume growth of 20% during FY 2016-17. The second half of FY 2016-17 was particularly good for the industry recording a growth rate of above 30%. In March 2017, leading tractor OEMs reported robust double-digit growths in domestic volumes, thereby pointing to continuation of growth momentum in the industry.



### Raw material trend

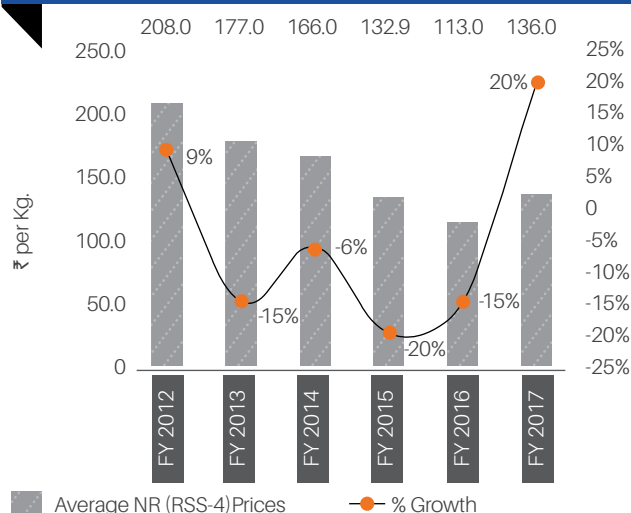
The largest cost head in the tyre industry is the cost of raw materials. It accounts for approximately 65-70% of tyre manufacturing costs. The main raw materials used to manufacture tyres are:

- Rubber (both natural and synthetic)
- Nylon tyre cord fabric
- Carbon black

These three constitute a significant portion of the overall raw material cost (approximately 60-65%). Hence, change in prices of these materials impacts the overall industry's profitability.

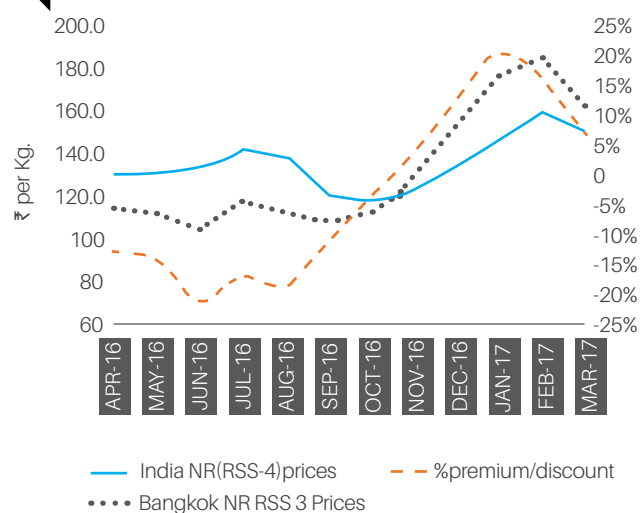
- (a) **Natural Rubber (NR):** At present, domestic Natural Rubber (NR) prices are trading at ₹ 150/kg after breaking out from the three-year high level of ₹ 160/kg in February 2017. NR prices were on a rise due to global factors like reduced supply from Thailand due to heavy rains and floods, increase in consumption in China and the US and higher crude oil prices. Between November 2016 and January 2017, NR prices had sharply jumped in both domestic and global markets by around 30% and 50%, respectively. However, NR prices have corrected since the last week of February 2017 with rising production and falling crude oil prices. A major factor that contributed to this was the government of Thailand's decision to liquidate its large NR stockpile to cash in on the elevated NR prices (Source: ICRA research).

### NR PRICE MOVEMENT (ANNUAL)



Source: Rubber Board, ICRA research

### TRENDS IN NR SUPPLY GAP AND PRICE MOVEMENTS



- (b) **Synthetic Rubber (SR):** Synthetic Rubber prices draw cues from price movement of oil and butadiene (a key raw material), apart from the fundamental demand and supply gap. In FY 2016-17, the SR prices witnessed an uptrend due to tight supply of feedstock-butadiene owing to maintenance-led shutdown of large crackers in the Asian and European markets. Further, strong demand from the Chinese domestic auto market, which drove demand for SR in 2016 is expected to ease, as tax break on car purchases in China get reduced in 2017. With annual demand of about 5.5-5.8 lakh tonnes per year, against significantly lower domestic supply, India's dependence on SR imports remains high (Source: ICRA research).

- (c) **Other raw materials:** Prices of Carbon Black (CB) and Caprolactum (feedstock for Nylon Tyre Chord Fabric (NTCF)) have followed crude prices, correcting in March 2017. Apart from short-term supply constraints due to plant shutdowns, prices of these derivatives are expected to move in line with crude, going forward.

### Outlook for India's tyre industry

Going forward, the domestic tyre demand over the near to medium term is expected to remain stable. It will be supported by favourable tyre demand, both domestic and exports, and likely to bring in improvement in realisation. The expected revenue growth for the industry is projected between 12% and 13% (CAGR) during 2017-2020. (Source: ICRA research). However, the industry's profit margins are expected to contract with higher pressures of capacity utilisation.

## MANAGEMENT DISCUSSION AND ANALYSIS

Tyre exports are projected to grow at 6%-8% over next three years, led by stable demand and increased acceptance of Indian tyres in overseas markets, both in terms of quality and pricing. However, with rising penetration of low-cost Chinese tyres in overseas markets, competition from China (both in terms of volumes and pricing) will remain a challenge (Source: ICRA research).

### Opportunities and Challenges

#### Opportunities for tyre industry in India

Rising economic development in India, presents tyre industry with many opportunities to grow, as listed below:

##### (a) Penetration level of passenger cars

Passenger car penetration levels in India currently are at very nascent stages vis-à-vis other emerging and developed countries (India has only 10 cars per 1000 population in comparison to the world average of 125). India is expected to continue on its current high-growth path, and over the next two decades, the average household income is expected to rise by about 200%. The emergence of a young and aspirational middle class will drive passenger vehicle industry, which will subsequently fuel growth of the tyre industry.

##### (b) Faster economic growth

India is among the fastest growing economies in the world and it is witnessing steadfast economic activities in various sectors. Infrastructure development, construction and housing sector are among the key areas of focus for the Government of India (GoI). The GoI has formulated various policies and provided several incentives to drive

**The expected revenue growth for the industry is projected between 12% and 13% (CAGR) during 2017-2020.**

these sectors. In addition, "Make in India" programme will attract investment in the manufacturing sector and spur higher industrial activities. All this will result in greater demand for industrial and construction tyres.

Growth of the agricultural sector and opportunity for farm mechanisation can drive growth in agricultural tyres. Aviation sector in India is still at a budding stage, although GoI is improving its reach to second and third tier cities. This will initiate a robust demand for aircraft tyres, going forward.

##### (c) Increased radialisation trend in commercial categories

While passenger vehicles are almost fully radialised (about 98%), India is currently witnessing rapid radialisation in commercial categories too. Currently, around 37% vehicles in truck and bus (T&B) segment and 40% in light commercial vehicles (LCV) have been radialised. Backed by growing awareness of cost benefits, continuously improving road infrastructure, stringent implementation of overloading norms and new radial capacities going onstream, radialisation levels in the commercial vehicle space are likely to reach to 65-70% over the next few years, which is expected to yield significant benefits for this industry moving ahead.



### Challenges for tyre industry in India

Tyre industry in India, as discussed above, has several opportunities to grow, however, it still has long way to go to compete in the global marketplace.

#### (a) Greater import dependence of raw materials and inverted duty structure

Tyre industry is raw material intensive. Raw materials account for nearly 65-70% of the total production cost. Natural rubber is the primary raw material in the production process of tyres and results in 44% of total raw material cost. However, Indian tyre industry has to depend upon imported natural rubber due to mismatch in production and consumption of domestic natural rubber.\*

Inverted duty structure is a key challenge for India's tyre industry. Inverted duty structure leads to natural rubber attracting significantly higher customs duty (25%) than in its finished product (10%). India is the only country that has inverted duty structure for tyre industry.

It reduces competitiveness of domestic industry and encourages volumes of cheap imported tyres, despite adequate domestic capacity already in place.

#### (b) Volatility in raw material prices

Natural rubber and crude oil prices are volatile and controlled by external environment. China in the second half of the year increased the production of tyres, which had a significant impact on global raw material prices. Natural Rubber prices increased to ₹ 136/kg in FY 2016-17 compared to ₹ 113/kg in FY 2015-16. It reached a peak of ₹ 160/kg in the month of February 2017. Volatility in raw material prices impact the profitability of the industry.

#### (c) Tyre imports from China

Chinese imports continue to pose a threat to India's tyre industry across categories. Manufacturers are worried about the rampant dumping of Chinese tyres in India, which are available in substantially lower prices. Chinese

imports in India have grown by more than 350% since FY 2012-13 against the overall import growth rate of 129%. Value of Chinese imports stood at ₹ 16.9 billion in FY 2016-17 against a much smaller ₹ 4.69 billion in FY 2012-13. In TBR category specifically imports of truck and bus radials increased from 40 thousand units per month in FY 2013-14 to more than 1 lac units per month in FY 2016-17.

Due to increase in the cheap imports of tyres from China, capacity utilisation of plants in India remained subdued. This has adversely affected the competitiveness of the tyre companies in India.

### Business Review

CEAT, a flagship company of the RPG Group, is among the leading tyre manufacturers, offering best-in-class tyres across categories. CEAT is one of the fastest growing Indian tyre company with a CAGR of 11% in its net sales from FY 2008-09. CEAT's market capitalisation has increased by more than 20 times in last 5 (five) years and it has given highest returns to its shareholders in the Indian tyre industry in last 5 (five) years.

CEAT aims to achieve leadership position in passenger vehicle space in coming years, especially in two-wheelers tyre. In the last few years, CEAT has been able to grow much faster than the industry in this segment. In the last 5 (five) years, CEAT's revenue in two-three wheeler tyres category and passenger and utility vehicle category has grown at a CAGR 26% and 21%, respectively.

CEAT sells in three segments: Replacement, OEM and Exports. 64% of CEAT's revenue come from Replacement, followed by OEM and Exports which bring in 24% and 12% revenues respectively.

The Company has manufacturing facilities at Bhandup, Nashik, Halol and Nagpur. CEAT meets close to two-thirds of its production through in-house plants and secures the rest from various outsourcing partners on conversion cost basis and bought-out basis. It operates in Sri Lanka through a 50:50 JV, named CEAT Kelani Holdings Company (Private) Limited. CEAT, through its subsidiary has initiated construction of an Off-Highway Tyre plant at Ambernath, Maharashtra.

The Company enjoys a market share of 12% in India's tyre market and manufactures more than 95,000 tyres per day. CEAT has invested heavily in the development of a state of the art R&D centre at Halol to enable a funnel of innovative new products.

**CEAT is one of the fastest growing Indian tyre company with a CAGR of 11% in its net sales from FY 2008-09.**

\*India consumed more than 10 lacs tons of natural rubber in FY 2016-17, while the production was less than seven lacs tons, thus India needing to import about 3.5 lacs tons from the global market.



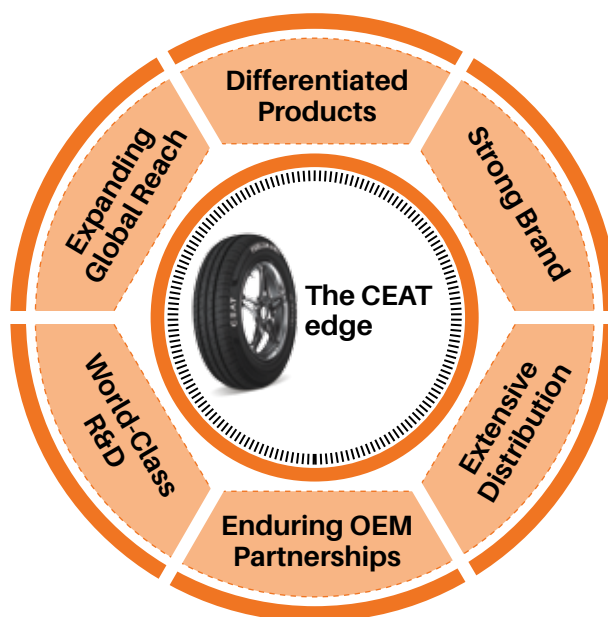
## MANAGEMENT DISCUSSION AND ANALYSIS



CEAT has also worked extensively in last few years to expand its distribution network across the country. A comprehensive network of more than 4,500 dealers and more than 30,000 sub dealers has helped us extend our reach to all parts of the country.

The Company has been able to bring about a remarkable turnaround in the profitability over the last few years mainly by improving its product mix and bringing in efficiencies by controlling manufacturing and finance costs. With increasing capacity, investment on R&D, focus on new product launches, aggressive brand building initiatives, focus on digitalisation, growing channel strength, enduring OEM partnerships, expanding global reach and stronger balance sheet, CEAT is poised for a sustained growth trajectory.

**CEAT has commissioned a greenfield unit for manufacturing two-three wheeler tyres at Butibori, near Nagpur, Maharashtra in March 2016.**



### Capacity Expansion

CEAT has commissioned a greenfield unit for manufacturing two-three wheeler tyres at Butibori, near Nagpur, Maharashtra in March 2016. It is expected to reach its full capacity of 40,000 tyres per day by the end of FY 2017-18. The brownfield project at Halol for manufacturing of Passenger Vehicle (PV) tyres is also under ramp up currently.

Further, CEAT is setting up a green field Off Highway Tyres (OHT) radial plant in Ambernath, Maharashtra through its wholly owned subsidiary CEAT Specialty Tyres Limited (CSTL). CSTL will be investing ₹ 330 Crores for Phase 1 capacity of 40 MT/day, which will be further ramped up to 100 MT/day.

The Company shall be investing over ₹ 2,800 Crores for capacity expansion in passenger car radials, two-wheeler and truck bus radial segment in next few years.

### Export Business

CEAT is one of the major exporters among the India's tyre manufacturers. Geographically, the Company has stratified export market into seven clusters. This has helped CEAT to better understand customer needs and design market specific products. CEAT has consolidated its position in Bangladesh and Sri Lanka by forming joint ventures with strategic partners.

FY 2016-17 has been a challenging year on export front due to macroeconomic factors and steep increase in raw material prices. Despite these issues, the export volumes have grown by 9% during the year under review. CEAT has strategically altered the product mix by selling more volumes in three-wheeler, passenger car segment and motor-cycle. The Company has

successfully increased the product range of passenger car tyres specifically designed for Europe market. Motorcycle sales in Africa market have significantly boosted on account of customised products and marketing initiatives.

The new plant in Ambernath for off highway tyres will increase the Company's product offering for the US and Europe market in FY 2017-18. Moreover, the state-of-the-art Nagpur plant will bolster capabilities in motorcycle tyre segment.

### New Product Launches

- CEAT launched a new range of 'Win Series' tyres in T&B radial category. The tyre offers improved load carrying capacity along with higher mileage due to 'better belt durability and improved stiffness around the bead area'. Manufactured using CEAT's proprietary rubber compound, these tyres offer customers the ability to carry heavier loads across longer distances. The tyres will cater to different transportation applications like general goods, perishable cargo, containers, tanker, sand and stone, among others.
- CEAT's all new fuel-efficient tyre range - 'Fuelsmartt' has hit the market. The product offers 7% better fuel saving, longer tyre life and an optimised riding and driving experience when compared to normal tyres. These new CEAT tyres are made of stiffer tread pattern and advanced polymer for optimised contact area, enabling better control & grip of the vehicle even while turning. With this product, CEAT is ready to offer not just safer and smarter mobility but at economical price. The new tyre range helps the customer to recover the entire cost of tyre during the life span of the tyre. The Fuelsmartt range of CEAT tyres is available for different cars like Wagon R, Swift, Etios, Baleno, Alto etc.
- CEAT rolled out 'Milaze' range of tyres offering an improved load carrying capacity with high mileage and greater safety. After the success of these tyres in the two-wheeler segment, the Company rolled out 'Milaze' tyres for taxi segment, in March 2017. Manufactured using CEAT's proprietary rubber compound, the range offers customers ability to cover maximum distance with minimum weathering. These tyres with improved safety features such as robust cavity, rigid tread shoulder block and uniform patch results in safer and secure drives.



# 92

New Products Developed in FY 2016-17

## MANAGEMENT DISCUSSION AND ANALYSIS



- CEAT launched 'Aayushmaan Plus' range of tractor front and rear tyres. The tyres are built with unique puncture pads, to provide puncture protection. The 600-16 Aayushmaan plus is the first tractor front tyre in the industry to have these unique puncture pads. In addition, the Aayushmaan plus rear tyres are designed with sturdy shoulder design and deep lugs, resulting in better load carrying capability and longer life, respectively. Aayushmaan plus front tyres have higher non-skid depth (NSD), leading to longer tyre life.
- CEAT has rolled out customised tyres for electric two-wheelers. A new range of Zoom XL tyres, which were made exclusively for electric motorcycles were launched. The first variant of the tyre was rolled out for Pune-based start-up Tork Motorcycles' first electric motorcycle T6X.

### OEMs

- CEAT was the first source for new vehicles like Hero Achiever, Bajaj V12, Honda Navi and Mahindra Bolero Power+.

### Branding Initiatives

#### 'Our Grip, Your Stories'

CEAT launched the brand campaign of 'Our Grip, Your Story' for SUV tyres. The campaign aimed to establish the superior grip and control of CEAT tyres in demanding off-road terrains, thus making CEAT as a preferred choice for SUV tyres.

'Our Grip, Your Stories' targeted the young and bold breed of premium SUV owners who seek the thrill of exploring demanding on- and off-road terrains. The campaign focused

on the safety and grip of tyres offered by CEAT and showed how an excellent tyre enabled drivers to get truly unbelievable experiences, and in turn, give wings to a child's imagination.

#### 'Drive Safe Dad campaign'

CEAT's Bobblehead campaign focused on discouraging dads from over-speeding their vehicles which is one of the major causes for road accidents. Keeping in mind CEAT's purpose of 'Making Mobility Safer and Smarter. Every day', this concept originated from the fact that parents tend to take road safety more seriously, when they hear it directly from their kids.

The idea was based on a simple premise, that drivers are often reluctant to fit speed sensors in their car. That's why CEAT chose kids to persuade their fathers. Dads, on the other hand, loved this gesture as it subtly reminded them to drive within speed limits and served as a conscience meter.

The second part of this campaign originated from an innovative idea that blends emotions and technology in one package. In this initiative, the dads received a personalised bobble head which was attached to the odometer of the vehicle. On over

**India's first premium electric bike Tork T6X was launched on CEAT tyres.**



speeding, the device played the recorded personalised message from their sons or daughters asking them to slow down.

#### **‘Delhi to Paris’**

CEAT in association with Renault and Autocar took on a daunting journey from Delhi to Paris through difficult terrains comprising of mountain passes, potholed roads, deserts and snow. The Kwid and Duster vehicles ran on both our summer (5,436 kms) and winter (13,064 kms) tyres without even a single puncture during this epic journey. The journey was documented in detail across two Autocar issues and was also telecasted on Times Network in January 2017.

#### **‘Crossover vehicle drive’**

CEAT in association with Overdrive organised a crossover vehicle drive from Guwahati to Orange festival, Dambuk (Arunachal Pradesh) in December 2016.

The Orange festival at scenic Dambuk is a music and adventure sports festival supported by the Arunachal Pradesh Government. Overdrive team took eight of the most popular CSUVs on this epic journey and compared their performance on difficult terrains. All the participating vehicles were running on CEAT tyres and the journey was completed without any problems.

The TV coverage of the event was telecasted on CNBC TV18 and covered in Overdrive magazine.

#### **‘CEAT focuses on rural tyre usage with Ayushman Tractor Meet’**

CEAT organised 15 Ayushman Tractor Meets (ATM), an awareness camp for farmer community in Uttar Pradesh. As

a part of the event, CEAT’s Aayushman range of tyres were showcased to improve farmers’ profitability. The initiative aimed at educating farmers on essential parameters like process of selecting tyres as per application, basic tyre care and maintenance advice for the long-life of the tyres. As part of an interactive session, farmers, shared tyre specific challenges they face on daily basis, which was addressed by CEAT representatives.

#### **‘CEAT felicitates outstanding performances in cricket’**

CCR is a first-of-its-kind system to officially recognise and reward cricketers for their performances in all formats of the game in international arena. It was institutionalised 20 years ago. In the 2016 edition of CCR, England’s Joe Root was announced as the CEAT overall International Cricketer and Batsman of the year while Rohit Sharma was conferred with the CEAT Indian Player of the year. CEAT awarded Kane Williamson as Test Cricketer of the year and Martin Guptill was announced as ODI Cricketer of the year.

#### **‘CEAT amplifies awareness on road safety’**

CEAT launched an initiative aimed to intensify ‘Road Safety’ message across major cities in the country. CEAT supported biking enthusiast Candida Louis on an intriguing road trip to promote road safety awareness. 13 cities across eight states were covered in a thrilling journey that began at Chandigarh and ended in Siliguri. During the journey, Ms. Louis engaged with the local biking communities - in challenging terrains of Punjab, Rajasthan, Gujarat, Delhi, Uttar Pradesh, West Bengal and Assam - to educate them on the nuances of safe driving. Further, it helped raise funds for people with disabilities suffered due to road accidents.





## MANAGEMENT DISCUSSION AND ANALYSIS

### ‘CEAT partners Mahindra Adventure’

CEAT announced its collaboration with Mahindra Adventure for hosting seven of the most challenging expeditions of the country. CEAT and Mahindra Adventure organised rides across the most difficult terrains in the Indian topography. Since the expedition was through difficult terrains, the safety of drivers and vehicles was of utmost importance. Built to take on the most difficult of roads, CEAT tyres helped the participants navigate the most challenging landscapes smoothly. This association offered a safe and smart driving experience for participants across all kinds of terrains.

### ‘Riding on CEAT tyres, team bags five trophies at Raid de Himalaya Riding’

Team Northern Pro Riderz riding on CEAT tyres bagged 5 (five) trophies in the 2016 edition of the world’s highest rally Raid de Himalaya. The rally is termed as one of the toughest, owing to harsh elements of weather the participants face.

### ‘CEAT installs breath analysers in Mumbai pubs’

CEAT in association with Mumbai Police installed Breath Analysers across multiple pubs in Mumbai. The Breath Analyser is a device that helps people identify their state of inebriation, and decide if they are legally allowed to drink and drive. To propagate awareness of this initiative CEAT launched a digital campaign on multiple digital platforms – a video on YouTube #NoMoreFunny went viral. Through this initiative, the Company aimed to engage and sensitise people on the benefits of safe driving.

### ‘Safer and smarter mobility’

CEAT launched its ‘In the Game called Roads, CEAT helps’ TVC Campaign taking its concept of ‘Be Idiot Safe’ further. This ad campaign takes CEAT branding to the next level by communicating the Company’s fresh and unique take on road safety. The campaign commercials capture how CEAT tyres help in smarter and safer mobility, keeping in mind Indian traffic conditions and pedestrian behaviour; eventually, helping prevent accidents. The campaign has generated rave reviews on social media and further solidified CEAT’s association with safety.

### Technology and Research and Development (R&D)

Innovative product launches remained at the forefront of CEAT’s strategy to grow across business segments. CEAT

**Innovative product launches remained at the forefront of CEAT’s strategy to grow across business segment.**



has invested heavily in R&D in last few years. CEAT’s R&D is focussed on development of break through products for the customers. It actively partners with institutes of global repute in order to augment its competency and capability. R&D centre houses an objective testing facility along with the facility for simulation technology for predictive testing. This serves as a testament to CEAT’s superior product and service offerings. CEAT’s R&D centre continued focus on passenger segment reinforces the need for enhancing current capabilities in fuel efficiency, grip, durability and noise.

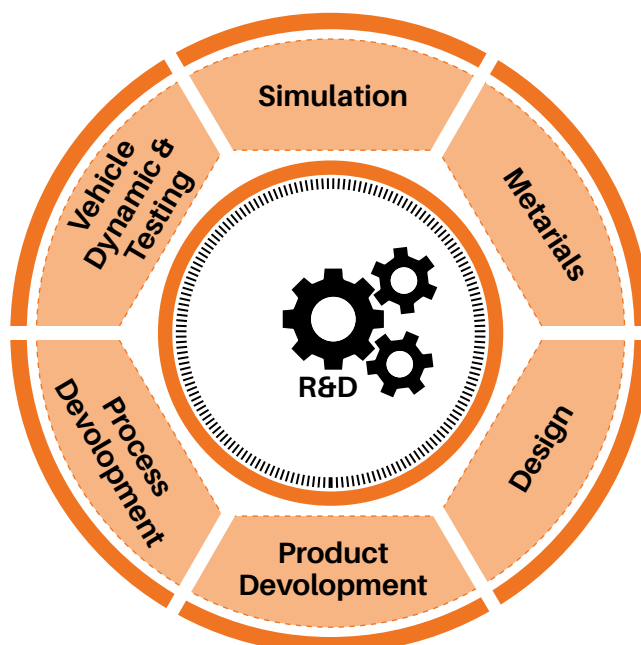
### CEAT’s R&D endeavours to

- Deliver safety by inducing advanced technology, which blends grip and control without compromising tyre life
- Judiciously use resources and optimise tyres by being environmentally responsible and creating sustainability through eco-friendly products

# #NoMoreFunny

Video on YouTube went viral

## Focus areas

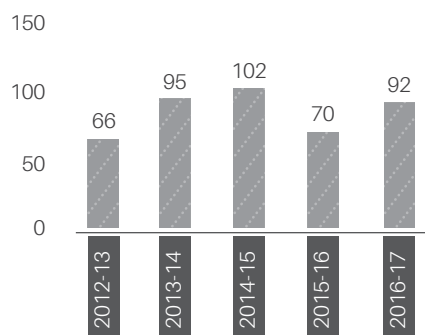


## New products developed

Last few years have seen a healthy roll-out of new innovative products across categories. Today, more than 20% of our revenue comes from new products.

### NEW PRODUCT DEVELOPMENT OVER THE YEARS

IN UNITS



Source: Rubber Board, ICRA research

## Manufacturing Achievements

CEAT has always focused upon making its manufacturing facilities highly efficient and flexible supported by an empowered and engaged work force. To achieve this, CEAT uses Total Quality Management (TQM) approach of planning and executing operational excellence. CEAT is committed to improving parameters on Quality, Cost, Delivery, Safety and Morale (QCDSM) in its manufacturing units.

In the last few years, CEAT has focused extensively on plant safety. It has received 'Sword of Honour', the highest manufacturing excellence award by the British Safety Council for its Halol plant.

CEAT has launched new initiative on Proactive Quality concept across all manufacturing plants. The aim is to achieve 'Zero Defect' in all processes.

Statistical process control (SPC) method is also being used to make CEAT's internal processes stable and capable. As a result, more than 100 processes have already been modified across the manufacturing locations. Moreover, process inspection and audit methods have been made more stringent, giving significant improvement in both internal as well as external quality parameters.

## MANAGEMENT DISCUSSION AND ANALYSIS

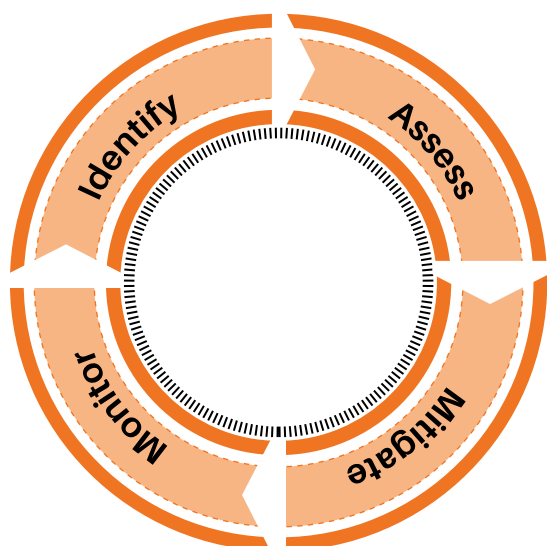
Further, CEAT's Nagpur plant is being planned on the lines of a 'Smart' plant. This is the first two wheeler tyre manufacturing plant that has conceptualised digitalisation in India. This would not only result in efficiency improvements and better yields but also enable online access of all performance matrices. Mistake proofing, Auto Safety Interlocks, Centralised Recipe Management and Warehouse Management are also a part of this project. The project would also provide a much-needed fillip to the employees on the shopfloor and reduce manual interventions drastically. This will be the stepping stone towards the journey of artificial intelligence, where machines improve the quality of products to be delivered based on algorithms.

### Risk Management

CEAT is aware that a thorough risk management system is necessary in the face of evolving risks propelled by market volatilities and other external factors. Thus, it has in place a robust Enterprise Risk Management (ERM) architecture. The primary objective of the ERM framework is to help in identifying risk and mitigating them at various levels.

#### Process of risk management

The risk management process at CEAT begins with identification of risks and assessment of their impact. The assessment is based on past trends and events. Later, ways to mitigate these risks are identified and implemented when necessary. Risks, once identified, are periodically monitored along with emerging risks.



#### Risks and their mitigation

##### Disruption in supply of key raw material

*Disruption in supply of key raw material and high conversion cost may impact the cost of production leading to lower margins.*

The Company is entering into long-term contracts for supply. Moreover, the Company is focusing on multiple sources of supply.

##### Competition

*Rising competition from domestic players and Chinese imports impacting profitability*

The Company is insistent about its channel expansion, enhanced after-sales services, and superior quality of products and warranty offered on them. CEAT's superior domain knowledge along with technology prowess, branding and reach are helping it challenge both domestic and foreign players. Moreover, it has long-standing relations with original equipment manufacturers (OEMs) who trust the Company, which helps it cut through the competition. The Company is focusing on sale of profitable segment, developing capacities for new product development and entering new markets under premium segment to increase market share.

##### Radialisation in Trucks and Bus Segments

*Increase in the truck and bus tyre segment radialisation may impact volume*

The Company is converting its truck and bus bias capacities into non-truck segments that have higher demand. The focus is also on penetrating the overseas markets to fully utilise its bias capacity.

##### Commodity Price Volatility

*Fluctuating Raw Material Prices can affect profit margins considerably*

The Company has been strengthening supplier relations to build mutually beneficial long-term associations. Besides, the Company continues to explore a wider supplier base to reduce dependency on the current one.

##### Reduction of shares in export sales

*Challenges to meet target of export sale may impact capacity utilisation of plants*

The Company endeavours to increase the market share in existing and new markets by improving export sales across geographies with better product portfolio.

##### Environment, Occupational Health And Safety

CEAT works towards creating a safe working environment for all its assets. It is committed to reducing accidents at work and occupational illnesses; and thereby, follows a proactive and systematic approach to identify hazards and risks. The Company takes appropriate measures by training employees and contractors in following safety measures.

Moreover, CEAT functions on the principle of 'pollution prevention instead of control' and complies with all environmental laws.

### Safety

The Company aims at having 'zero accidents'. This has led to providing safety training to recruits and periodic training sessions for all employees including contract employees. The Company has adopted British Safety Council's (BSC) Five Star Occupational Health and Safety Management System as benchmark to its own systems. CEAT has an agile approach for risk elimination at its worksites with the latest safety measures.

- Implemented British Safety Councils Health and Safety Management System in all manufacturing plants - achieved British Safety Council's 'Sword of Honour' for Halol Plant.
- Achieved OHSAS 18001 (Occupational Health and Safety Management System) Certification for Nagpur Plant.

### Occupational Health

CEAT aspires to have 'zero occupational illness cases' and thus, engages in cross-functional efforts to reduce occupational health hazards. The Company maintains Occupational Health Centres round-the-clock operated by professionals. Further, CEAT provides ambulances and first-aid facilities at all its plants and all its employees including the contractor employees get periodic medical check-ups. In FY 2016-17, the Company has put in place the following occupational health measures:

- Carried out Occupational Health Risk Assessment and implemented Health Risk Mitigation Plan in all Manufacturing Plants.
- Conducted Periodical Medical Examination for all employees including contractor employees.
- Identified MURI (fatigue) projects and implemented for fatigue reduction in all plants.
- Arranged health wellbeing programmes across all plants to create health awareness among the employees.

### Environment

CEAT follows environment protection principle of 'reduce, reuse and recycle'. The Company has adopted several measures to maintain ecological balance around its production facilities.

In FY 2016-17, CEAT was involved in the following environmental protection initiatives:

- Achieved ISO 14001 (Environment Management System) Certification for Nagpur Plant.

- Implemented projects to reduce fresh water consumption in manufacturing plants. The Halol, Nashik and Nagpur Plants are 'Zero Liquid Discharge' Plants.
- Incorporated projects to reduce hazardous waste generation in manufacturing plants.
- Started energy conservation projects through solar energy, installation of steam turbine on waste recovered steam, use of cleaner fuel such as piped natural gas, resulted in to significant reduction in greenhouse gases (GHG) emissions.

### Human Assets

CEAT recognises the value of its team in driving continuous growth. It has a transparent employee policy and attempts to build an eco-system that promotes development of its people. A well-drawn out recruitment policy, clearly defined roles and responsibilities, individual performance management systems and performance-based compensation policies define CEAT's human resource management policy.

The Company has established and institutionalised academies in sales, manufacturing and technical functions towards achieving operational excellence. Besides, CEAT is also continually improvising on the Performance Management System to facilitate a culture of outperformance to achieve the vision of the Company. The Company believes in being future ready by grooming leaders through constant feedback, development and coaching. Further, the Company prioritises employee engagement as one of the key ways of retention, increasing productivity and creating happy employees. CEAT enables bonding among not only employees but even their families through various family connect initiatives across locations. The Company is also a strong proponent of diversity in its workforce; thus, there are female employees not only in the corporate and zonal offices but also in the shopfloor of manufacturing plants. The Company through all of these employee championing practices is striving to become a 'Great Place to Work'.

The total number of employees on the rolls of the Company was 5,580 as on March 31, 2017.

### Internal Control Systems and Their Adequacy

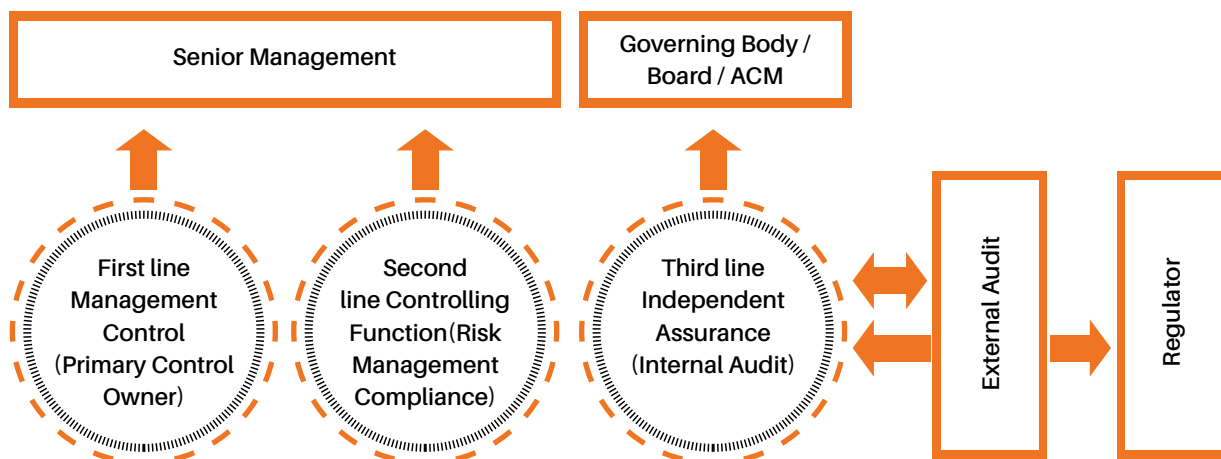
The Company has a well-placed, proper and adequate Internal Control environment, commensurate with the size, scale and complexity of its operations. This environment inter alia:

- provides assurance on orderly and efficient conduct of operations;
- security of assets;
- prevention and detection of frauds/errors;
- accuracy and completeness of accounting records; and
- timely preparation of reliable financial information.



# MANAGEMENT DISCUSSION AND ANALYSIS

The Internal Financial Controls in the Company are implemented in the framework of the 3-Tier Control and Monitoring system, as follows:



## First line

Management Control: The line managers are directly responsible for ensuring Design and Effective implementation of the Internal Controls framework in the Company. This is achieved by the Line Manager by carrying out their day-to-day operations within the boundaries defined by the Company through its various Policies and Procedures including the following:

- Employee Code of Conduct
- Whistle Blower policy
- Entity Level, Operating Level and IT General Controls
- Delegation of Authority Matrix
- Policies and Standard Operating Procedures

## Second line

The second line of defence by the Senior Management of the Company is achieved through the following:

- Monthly Operation reviews by respective Functional/ Business Managers 'MOR'
- Monthly Operating Committee meeting Chaired by Executive Director - Operation 'OpCom'
- Monthly Management Committee meeting Chaired by Managing Director 'MCM'

## Third line

Governing Board and Audit Committee: This Independent Assurance and oversight of Internal Controls is achieved through the following governing bodies:

- Board of Directors
- Audit Committee of the Board of Directors - Their oversight activities include:
  - Review of Financial reports and other financial information to regulators
  - Review companies established Systems and Procedures for Internal Financial Controls, Governance and Risk Management
  - Reviews the companies Statutory and Internal audit activities
- Risk Management committee

The above 3-lines of defence are further strengthened by independent audits being carried out by Statutory audit, Tax audit, Cost audit and Secretarial audit.

## Discussion on financial performance

The analysis of the Standalone Financial Statements are appended to this report.

## Cautionary statements

*Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws, and other factors such as litigation and industrial relations.*

## DISCUSSION ON FINANCIAL PERFORMANCE

The standalone financial statements, the analysis whereof is presented hereunder and in the following pages pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015, have been prepared in accordance with the requirements of the Companies Act, 2013 and applicable Accounting Standards issued by the Institute of Chartered Accountants of

India. The management of CEAT Limited accepts the integrity and objectivity of these financial statements as well as the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements are reflected in a true and fair manner and also reasonably presents the Company's state of affairs and profit for the year.

### Balance Sheet

#### Share Capital (Note 17)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Issued	4,045.08	4,045.08	-	-
Subscribed and paid up	4,045.01	4,045.01	-	-

There is no movement in the share capital during the current year. Issued Share Capital includes 688 shares, which were offered on right basis, kept in abeyance due to title disputes and pending in courts.

#### Other Equity (Note 18)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Securities premium reserve	56,702.93	56,702.93	-	-
Capital reserve	1,176.88	1,176.88	-	-
Capital redemption reserve	390.00	390.00	-	-
Cash flow hedge reserve	(242.70)	3.89	(246.59)	(6339.07)
Debenture redemption reserve	3,334.00	1,667.00	1,667.00	100
General reserve	20,177.32	20,177.32	-	-
Retained earnings	1,45,031.61	1,10,742.52	34,289.09	30.96
<b>Total</b>	<b>2,26,570.04</b>	<b>1,90,860.54</b>	<b>35,709.50</b>	<b>18.71</b>

#### Securities premium reserve

The opening balance of securities premium reserve pertains to premium (net of issue expenses) on conversion of partly convertible debentures during FY 1987-88 and FY 1990-91 to FY 1994-95, issue of shares during FY 2005-06 on rights basis, and conversion of share warrants during FY 2013-14. Further during FY 2014-15, 44,94,382 equity shares of ₹ 10 each at a premium of ₹ 880/- per equity share aggregating to ₹ 39,999.99 Lacs were issued under Qualified Institutional Placements (QIP). Out of the total proceeds, the Company spent ₹ 655.93 Lacs (net of tax) towards issue expenses.

#### Capital reserve

Capital Reserve comprises of Government Subsidies amounting to ₹ 65.00 Lacs received during FY 1982-83, FY 1996-97 and FY 1997-98, surplus arising out of the amalgamation of Deccan Fibre Glass Limited with the Company

amounting to ₹ 218.87 Lacs during FY 1982-83, forfeiture of shares and convertible warrants amounting to ₹ 607.74 Lacs during FY 2007-08 and FY 2011-12, receipt of shares from Rado Tyres Limited pursuant to BIFR order amounting to ₹ 300.00 Lacs during FY 2013-14 and miscellaneous balance sheet adjustments amounting to ₹ (14.74) Lacs during FY 2005-06

#### Capital redemption reserve

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

#### Cash flow hedge reserve

It represents mark to market valuation of effective hedges as required by Ind AS 109. The significant movement under this head pertains to increase in foreign currency exposure, changes in interest rates and currency fluctuations i.e. volatility

## DISCUSSION ON FINANCIAL PERFORMANCE

of Rupee vs. other foreign currencies.

#### Debt redemption reserve

Debt 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 equivalent to 25% of the value of the debentures issued. As per the rules, the Company needs to create Debt Redemption Reserve for ₹ 5,000 Lacs, before the maturity of the first tranche of debentures commencing from FY 2019-20.

#### Deferred tax liabilities (net) (Note 23)

Particulars	(₹ in Lacs)			
	As at March 31, 2017	As at March 31, 2016	Change	Change %
Deferred tax liabilities (net)	20,300.63	14,808.84	5,491.79	37.08

During the year the Company has capitalised two projects, Halol phase II and Nagpur leading to an increase in deferred tax liability.

#### Other financial liabilities (Note 21)

Particulars	(₹ in Lacs)			
	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Non-Current</b>				
<b>At amortised cost</b>				
Deposits	145.70	145.20	0.50	0.34
<b>At fair value through other comprehensive income</b>				
Derivative financial instrument	1,520.47	392.56	1,127.91	287.32
<b>Total</b>	<b>1,666.17</b>	<b>537.76</b>	<b>1,128.41</b>	<b>209.84</b>

The deposits represent interest free deposits received from the occupants of the Company's premises in Mumbai towards maintenance of premises.

Derivative instrument represents mark to market loss on the cross currency hedges of long term buyer's credit. It has increased because of increase in currency exposure i.e. increase in buyer's credit, reduction in interest rates and significant currency fluctuations.

#### Non-current provisions (Note 22)

Particulars	(₹ in Lacs)			
	As at March 31, 2017	As at March 31, 2016	Change	Change %
Provision for warranty	776.58	150.91	625.67	414.60
Provision for compensated absences	2,586.87	2,255.89	330.98	14.67
Provision for decommissioning liability	54.69	49.06	5.63	11.48
<b>Total</b>	<b>3,418.14</b>	<b>2,455.86</b>	<b>962.28</b>	<b>39.18</b>

'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. As per Ind AS 37 which requires that where the effect of time value of money is material, the amount of

provision should be at the present value of the expenditures expected to be required to settle the obligation. Refer note 22 for detailed movement.

'Provision for 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. Refer note 22 for detailed movement.

'Provision for decommissioning liability' - The Company records a provision for decommissioning costs of land taken on lease at Nashik manufacturing facility for the production of tyres. 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 method.

#### Current provisions (Note 22)

Particulars	(₹ in Lacs)			
	As at March 31, 2017	As at March 31, 2016	Change	Change %
Provision for warranty	2,608.65	2,881.63	(272.98)	(9.47)
Provision for gratuity (Refer note 41)	1,016.68	215.27	801.41	372.28
Provision for compensated absences	278.16	327.36	(49.20)	(15.03)
Provision for indirect Tax and tax matters	346.61	380.00	(33.39)	(8.79)
Provision for tax and labour matters	1,209.49	895.04	314.45	35.13
<b>Total</b>	<b>5,459.59</b>	<b>4,699.30</b>	<b>760.29</b>	<b>16.18</b>

'Provision for gratuity' - CEAT's gratuity scheme is funded with an insurance company in the form of qualifying insurance policy. The increase is on account of reduction in discount rate of 0.95% and increase in the number of associates at Halol and Nagpur.

'Provision for Indirect tax and labour matters' - The Company is party to various lawsuits, that are at administrative or judicial level or in their initial stages, involving tax and civil matters. The

Company contests all claims in the court / tribunals / appellate authority levels. Based on their assessment and that of their legal counsel, Company records a provision when the risk or loss is considered probable. The outflow is expected on cessations of the respective events. The increase has been on account of provision provided for C form liability for assessment years 2007-08, 2010-11, 2012-13 and 2013-14.

#### Other financial liabilities (Note 27)

Particulars	(₹ in Lacs)			
	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Current</b>				
<b>At amortised cost</b>				
Premium on forward contracts	-	135.23	(135.23)	(100.00)
Current maturities of long-term borrowings (Refer note 20)	1,354.92	4,172.90	(2,817.98)	(67.53)
Interest accrued but not due on borrowings	275.72	231.31	44.41	19.20
Unpaid dividends	149.99	215.79	(65.80)	(30.49)
Unpaid matured deposits and interest accrued thereon	127.90	311.99	(184.09)	(59.01)
Payable to capital vendors	4,791.90	4,476.01	315.89	7.06
Deposits from dealers & others	30,756.54	29,666.08	1,090.46	3.68
<b>At fair value through other comprehensive income</b>				
Derivative financial instrument	315.11	-	315.11	100.00
<b>Total</b>	<b>37,772.08</b>	<b>39,209.31</b>	<b>(1,437.23)</b>	<b>(3.67)</b>

'Premium on forward contracts' is premium accrued but not due on the unexpired forward contracts for hedging all buyers' credit liabilities, all suppliers' credit liabilities and partially foreign currency exposure on account of purchase orders for import of raw material and capital goods. During the year there is a gain which has been shown under 'Other financial assets'.

'Current maturities of long term borrowings' are instalments payable to the lenders of long term loans. The scheduled repayment of old loans coupled with prepayment of some of the high cost bearing loans also reduced the corresponding current maturities of long term debt.

'Interest accrued but not due on borrowings' consists of interest on public deposits, term loans, income tax, bill discounting, buyers' credit and micro, small and medium enterprises (MSMEs).



## DISCUSSION ON FINANCIAL PERFORMANCE

'Payable to capital vendors' represents the amount payable for procurement of capital goods. The increase in the amounts is on account of capital expenditure for Halol Phase II and Nagpur project.

'Deposits from dealers and others' are interest bearing security deposits received from tyre dealers and C&F agents. These Deposits are also used to determine the credit limit of dealers. Interest on these deposits is payable quarterly.

'Derivative financial instrument' represents unrealised loss on revaluation of the hedge contracts. Last year there was a gain on hedge contracts, therefore it was clubbed under 'Other financial assets.'

### Other Current Liabilities (Note 28)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Statutory dues	6,813.33	6,088.99	724.34	11.90
Advance received from customers	820.09	1,039.83	(219.74)	(21.13)
<b>Total</b>	<b>7,633.42</b>	<b>7,128.82</b>	<b>504.60</b>	<b>7.08</b>

Statutory dues represent taxes accrued but not due and primarily includes dues payable for value added tax, excise duty, custom duty, tax deductible at source, provident fund, professional tax, local body tax, etc. During the year company has increased purchases of rubber to hedge against increase in future prices. This has lead to an increase in cess payable to the government under statutory dues.

### Deferred Revenue (Note 24)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Current	82.13	82.13	-	-
Non Current	1,049.96	1,132.09	(82.13)	(7.25)
<b>Total</b>	<b>1,132.09</b>	<b>1,214.22</b>	<b>(82.13)</b>	<b>(7.25)</b>

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

The grant is grossed up in the value of asset and amortised over useful life of an asset. The grant is also shown as deferred revenue and released to profit and loss over useful life of an asset.

### Borrowings (Note 25)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Current</b>				
<b>Secured:</b>				
Cash credit facilities from banks (repayable on demand)	2,021.12	2,190.95	(169.83)	(7.75)
Export packing credit from banks	1,297.10	-	1,297.10	100.00
<b>Unsecured:</b>				
Commercial Paper	2,480.77	-	2,480.77	100.00
<b>Total</b>	<b>5,798.99</b>	<b>2,190.95</b>	<b>3,608.04</b>	<b>164.68</b>

The Company has fulfilled its short term working capital needs by way of cheaper source of funding like commercial paper and export packing credit from banks. Since company operationalised major part of Halol phase II, the working capital need has increased.

#### Trade Payables (Note 26)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Dues to micro and small enterprises</b>				
Overdue	-	-		
Not due	425.90	714.71	(288.81)	(40.41)
Other trade payables	73,830.39	61,502.90	12,327.49	20.04
Trade payables to related parties	701.59	843.79	(142.20)	(16.85)
<b>Total</b>	<b>74,957.88</b>	<b>63,061.40</b>	<b>11,896.48</b>	<b>18.86</b>

Other trades payable primarily include amount payable for material supplies, acceptances, conversion charges, C&FA service charges etc. During the year company increased the purchases of raw material to hedge against increase in future prices. This has lead to an increase in other trade payables.

#### Property, plant & equipment (Net Block) (Note 3 and 4)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Tangible assets	2,34,061.53	1,91,703.92	42,357.61	22.10
Intangible assets	6,824.67	5,765.65	1,059.02	18.34
Capital work-in-progress	4,877.23	21,345.07	(16,467.84)	(77.15)
<b>Total</b>	<b>2,45,763.43</b>	<b>2,18,814.64</b>	<b>26,948.79</b>	<b>12.31</b>

#### Tangible Assets

These mostly include plant and machinery, land and buildings. The increase in tangible assets is mainly because of plant and machinery being capitalised for Halol phase II and Nagpur projects.

done In-house development of various Intangible Property Rights (IPRs) for design and development of tyres targeted for European market which has lead to an increase in intangible assets.

#### Intangible Assets

Intangible assets consist of software, brand acquisitions, technical knowhow and product devlopment. During the year company has

#### Capital work-in-progress

Capital work in progress has decreased due to commissioning of Halol Phase II and Nagpur projects.

#### Trade receivables (Note 11)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Secured, considered good*	22,769.31	22,804.30	(34.99)	-
Unsecured, considered good	36,436.13	34,990.00	1,446.13	3.97
Doubtful	3,290.63	1,797.16	1,493.47	83.10
<b>Total</b>	<b>62,496.07</b>	<b>59,591.46</b>	<b>2,904.61</b>	<b>4.87</b>
Allowance for doubtful debts	(3,290.63)	(1,797.16)	(1,493.47)	(83.10)
<b>Total trade receivables</b>	<b>59,205.44</b>	<b>57,794.30</b>	<b>1,411.14</b>	<b>2.44</b>

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

## DISCUSSION ON FINANCIAL PERFORMANCE

The receivables position for the current year remains same as previous year at 40 days sales outstanding.

The major increase in doubtful debtors pertains to one of our client in Brazil who was not able to honour the invoice. The Company has lodged the insurance claim which has been

settled. However, we are awaiting regulatory approval for formally writing off the debtors from books of accounts.

While 95.22% of the total receivables were not due as on March 31, 2017, 94.22% were not due as at March 31, 2016.

The aging profile of the overdue receivables (net of provisions) is given below:

Days	As at March 31, 2017	As at March 31, 2016
1-30 days	67.04%	26.78%
31-90 days	14.91%	3.85%
Above 90 days	18.05%	69.37%

## Other financial assets (Note 7)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Non current</b>				
<b>Unsecured, considered good</b>				
At amortised cost				
Receivables from subsidiaries (Refer note 43)	-	232.54	(232.54)	(100.00)
Margin Money Deposits*	289.17	359.36	(70.19)	(19.53)
<b>Unsecured, considered doubtful</b>				
Receivables from subsidiaries (Refer note 43)	227.95	-	227.95	100.00
Less : Provision for receivables	(227.95)	-	(227.95)	(100.00)
<b>Total</b>	<b>289.17</b>	<b>591.90</b>	<b>(302.73)</b>	<b>(51.15)</b>

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

Receivable from subsidiaries includes money receivable from CEAT AKKHAN Limited on account of technical and project development fees. A provision of ₹ 227.95 lacs is created considering the current project status and inability of the subsidiary to repatriate funds due to regulatory requirement of Bangladesh.

## Other non-current assets (Note 8)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Unsecured, considered good</b>				
Capital advances	1,611.50	2,309.25	(697.75)	(30.22)
Security deposits with statutory authorities	712.58	381.17	331.41	86.95
Minimum Alternate Tax (MAT) credit	6,842.28	-	6,842.28	100.00
<b>Unsecured, considered doubtful</b>				
Balances with government authorities and agencies	293.61	218.13	75.48	34.60
Balances with government authorities and agencies	(293.61)	(218.13)	(75.48)	(34.60)
<b>Total</b>	<b>9,166.36</b>	<b>2,690.42</b>	<b>6,475.94</b>	<b>240.70</b>

Security deposits with statutory authorities primarily comprises of deposits given to various statutory / government authorities. The increase is on account of additional deposits made during the year with the sales tax department towards pending petitions of CST liability for assessment years 2007-08, 2010-11 and 2011-12.

The Company's consistent investment in research and development and projects has reduced the taxable liability on account of this and accordingly company is eligible to pay tax as per MAT. MAT credit has been created in the books considering the ability of the Company to pay normal taxes in the future.

#### Inventories (Note 9)

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

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Raw materials	42,720.24	20,498.10	22,222.14	108.41
Work-in-progress	3,148.70	2,483.83	664.87	26.77
Finished goods	40,779.05	32,844.07	7,934.98	24.16
Traded goods stock	2,404.63	2,889.42	(484.79)	(16.78)
Stores and spares	3,291.08	3,209.93	81.15	2.52
<b>Total</b>	<b>92,343.70</b>	<b>61,925.35</b>	<b>30,418.35</b>	<b>49.12</b>

Raw material inventory when compared as a measure of the cost of material consumption for goods sold, it is stated at 37 days against 23 days for previous year. The increase in inventory is because of increased purchases of raw material to hedge against the future increase in prices of raw materials.

As a percentage of finished goods inventory, work in progress has increased to 7.72% for current year as compared to 7.56% for previous year.

As a measure of the goods sold, the finished goods inventory (including traded goods stock) is stated at 25 days against 21 days for previous year. The increase in inventory is because after demonetisation company expected the demand to normalise in Q4. Company also continued the production of 2/3 wheeler as majority of supply is from the outsourcing plants which has high lead time.

#### Cash and cash equivalents (Note 12)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Balances with Banks				
On current accounts	405.34	33.96	371.38	1093.58
On remittance in transit	1,013.36	1,103.67	(90.31)	(8.18)
Cash on hand	6.28	3.99	2.29	57.39
<b>Total</b>	<b>1,424.98</b>	<b>1,141.62</b>	<b>283.36</b>	<b>24.82</b>

#### Bank balances other than cash and cash equivalents (Note 13)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
Deposits with maturity of more than 3 months but less than 12 months	0.20	750.20	(750.00)	(99.97)
Balances held for unclaimed public fixed deposit and interest thereon	128.20	308.04	(179.84)	(58.38)
Balances unclaimed dividend accounts	193.81	215.79	(21.98)	(10.18)
<b>Total</b>	<b>322.21</b>	<b>1,274.03</b>	<b>(951.82)</b>	<b>(74.71)</b>



## DISCUSSION ON FINANCIAL PERFORMANCE

The deposits with maturity of more than 3 months but less than 12 months represents the statutory margins kept by CEAT for the public deposits issued. Since company prepaid the public deposits, the fixed deposit kept as a statutory compliance are also released.

The other balances are amounts matured (principal and interest) but not claimed by the fixed deposit holders. The balance in bank accounts reduces as and when the same is claimed. This money is kept in escrow account by CEAT on fixed deposit holder's behalf.

### Loans (Note 14)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Current (at amortised cost)</b>				
<b>Unsecured, Considered good</b>				
Advance Receivable in Cash	2.04	3.84	(1.80)	(46.88)
Loans to related parties	5,000.00	3,400.00	1,600.00	47.06
<b>Unsecured, considered doubtful:</b>				
Loans advances and deposits	162.76	132.00	30.76	23.30
Less: Provision for doubtful advances and deposits	(162.76)	(132.00)	(30.76)	(23.30)
<b>Total</b>	<b>5,002.04</b>	<b>3,403.84</b>	<b>1,598.20</b>	<b>46.95</b>

Loans to related parties include loan being given to our 100% subsidiary, CEAT Speciality Tyres Limited for meeting the working capital requirement.

### Other financial assets (Note 15)

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Current</b>				
<b>Unsecured, considered good</b>				
<b>At amortised cost</b>				
Advance receivable in cash	526.92	462.09	64.83	14.02
Other receivables	66.26	43.46	22.80	52.46
Interest receivable	0.89	18.15	(17.26)	(95.10)
Recoverable against fire loss	-	470.00	(470.00)	(100.00)
Receivable from subsidiaries/ joint ventures	438.02	372.33	65.69	17.64
Unamortised premium on forward contract	122.78	-	122.78	100.00
<b>At fair value through other comprehensive income</b>				
Derivative financial instrument	-	143.94	(143.94)	(100.00)
<b>Total</b>	<b>1,154.87</b>	<b>1,509.97</b>	<b>(355.10)</b>	<b>(23.52)</b>

Interest receivable primarily includes interest earned on margin money deposited.

In previous year, amount recoverable against fire loss pertains to estimated insurance claim towards accidental fire to the machinery imported for Halol phase II. Subsequently claim has been received.

**Other current assets (Note 16)**

(₹ in Lacs)				
Particulars	As at March 31, 2017	As at March 31, 2016	Change	Change %
<b>Unsecured, considered good</b>				
Advance receivable in kind or value to be reviewed	8,526.75	3,344.57	5,182.18	154.94
Balance with government authorities	7,504.49	9,521.70	(2,017.21)	(21.19)
Advance to employees	14.35	20.54	(6.18)	(30.08)
Prepaid expense	431.71	769.67	(337.94)	(43.90)
<b>Unsecured considered, doubtful</b>				
Advance receivable in kind or for value to be received	44.22	-	44.22	100.00
Less: Provision for advance receivable in kind or for value to be received	(44.22)	-	(44.22)	(100.00)
<b>Total</b>	<b>16,477.30</b>	<b>13,656.48</b>	<b>2,820.82</b>	<b>20.66</b>

Advance receivable in kind or for value to be received majorly includes advances to material vendors, export benefit receivable, prepaid expenses, rent deposits, etc. Significant increase is on account of export benefit receivable which has increased due to lower import of duty free raw materials and high parity in duty free materials as compared to domestic prices.

Balance with government authorities mostly includes octroi refunds, cervat receivable, service tax receivable, advance customs duty, etc. The reduction in the balance with government authorities is on account of utilisation of

Cervat Credit balance of previous year on capital equipments purchased for Halol phase II and Nagpur project.

Prepaid expenses, prepaid finance charges and prepaid insurance represent unamortised expenses towards various licence fees, finance charges, insurance charges and other expenses in normal course of business. During the current year prepaid insurance has decreased as company has furnished bank guarantee in place of cash deposits.

**Profit and Loss****Revenue from operations (Note 29)**

(₹ in Lacs)				
Particulars	2016-17	2015-16	Change	Change %
Sale of products	6,33,303.68	6,08,242.84	25,060.84	4.12
Other operating revenues:				
Royalty Income	431.25	553.12	(121.87)	(22.03)
Sale of Scrap	1,753.43	1,675.52	77.91	4.65
Government grants	1,302.29	1,166.49	135.80	11.64
Other revenues	861.15	235.29	625.86	265.99
<b>Total</b>	<b>6,37,651.80</b>	<b>6,11,873.26</b>	<b>25,778.54</b>	<b>4.21</b>

There has been an increase in sales volume by 8.5%. However realisation per kg was lower leading to net growth of 4.12%.

The royalty income relates to operations of the Company's subsidiary in Sri Lanka. The income is lower for the year due to depreciation of Sri Lankan currency against Indian Rupee.

The increase in other revenues is on account of reversal of certain provisions no longer required.

## DISCUSSION ON FINANCIAL PERFORMANCE

The market segment wise sales value of standalone financials is tabulated below:

Particulars	(₹ in Lacs)			
	2016-17	2015-16	Change	Change %
Replacement	4,06,482.68	3,87,318.47	19,164.21	4.95
OEM	1,51,708.36	1,47,450.23	4,258.13	2.89
Export	75,112.64	73,474.14	1,638.50	2.23
<b>Total</b>	<b>6,33,303.68</b>	<b>6,08,242.84</b>	<b>25,060.84</b>	<b>4.12</b>

The Replacement segment has been hit hard by demonetisation coupled with lower realisation which resulted in increase in revenue by only 4.95%.

The OEM segment has also shown a growth of 2.89%.

Further the Export segment has displayed a marginal growth of 2.23% because of appreciation of rupee, decrease in sales realisation per kg and import quota being introduced in Indonesia which reduced the quantum of exports.

## Other Income (Note 30)

Particulars	(₹ in Lacs)			
	2016-17	2015-16	Change	Change %
Net gain on disposal of property, plant and equipments	-	359.92	(359.92)	(100.00)
Interest income on				
Bank deposits	48.90	117.12	(68.22)	(58.26)
Other interest income	797.56	721.52	76.05	10.54
Dividend income on				
Subsidiaries	1,639.23	1,167.86	471.37	40.36
Current investments	0.01	1,067.34	(1,067.33)	(100.00)
Other non-operating income	1,291.36	1,015.40	275.96	27.18
Net gain on disposal of investments	282.82	159.01	123.80	77.86
Foreign exchange fluctuation (net)	85.85	-	85.85	100.00
Gain on mark to market forwards	-	0.34	(0.34)	(100.00)
<b>Total</b>	<b>4,145.73</b>	<b>4,608.51</b>	<b>(462.79)</b>	<b>(10.04)</b>

Dividend Income on Subsidiaries - includes dividend income received from Associate CEAT Holding Private Limited (Sri Lanka).

Dividend Income on current investments - Company has decided to invest in growth plan thereby decreasing the dividend income on current investments. Any loss or profit on sale of these mutual funds is shown under "Net gain on disposal of investments."

Other non operating income has increased on account of building maintenance recovery and income tax refund.

**Cost of material consumed/ finished goods consumed analysis (Note 31, Note 32)**

(₹ in Lacs)

Particulars	2016-17	2015-16	Change	Change %
Cost of material consumed	3,30,888.21	2,95,378.28	35,509.93	12.02
Purchase of stock-in-trade	14,255.00	13,816.46	438.53	3.17
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(7,615.11)	(232.27)	(7,382.84)	3178.56
<b>Total</b>	<b>3,37,528.08</b>	<b>3,08,962.47</b>	<b>28,565.62</b>	<b>9.24</b>

The raw material prices have increased during the year. As a result, the cost of material consumed as a percentage of sales of products has increased to 52.25% for the year as compared to 48.56% for the previous year.

**Employee benefits expense (Note 33)**

(₹ in Lacs)

Particulars	2016-17	2015-16	Change	Change %
Salaries, wages and bonus	31,538.39	31,051.67	486.72	1.57
Contribution to provident and other funds	1,761.11	1,672.76	88.35	5.28
Gratuity expenses (Refer note 41)	514.10	495.91	18.19	3.67
Welfare expenses	4,571.40	3,685.06	886.34	24.05
<b>Total</b>	<b>38,385.00</b>	<b>36,905.40</b>	<b>1,479.60</b>	<b>4.01</b>

The nominal increase in salaries, wages and bonus is on account of annual increment of the employees of the Company.

Welfare expenses have increased because of health insurance premium; leave travel concession, canteen cost & bus service cost at new facilities of Nagpur & Halol. Health insurance premium have increased on account of increase in rate of premium and increase in number of employees at Nagpur and Halol.

**Finance cost (Note 34)**

(₹ in Lacs)

Particulars	FY 2016-17	FY 2015-16	Change	Change %
Interest on debts and borrowings	7,509.74	8,322.67	(812.93)	(9.77)
Other finance charges	82.78	739.21	(656.44)	(88.80)
<b>Total interest expense</b>	<b>7,592.52</b>	<b>9,061.88</b>	<b>(1,469.36)</b>	<b>(16.20)</b>
Unwinding of decommissioning liability	5.63	5.06	0.257	11.26
Unwinding of discount on provision of warranty	348.74	264.70	84.04	31.75
<b>Total finance cost</b>	<b>7,946.89</b>	<b>9,331.64</b>	<b>(1,384.75)</b>	<b>(14.84)</b>

Interest comprises interest on term loans, project buyer's credit and various forms of working capital loans, primarily dealer deposits, public deposit, buyers' credit, bill discounting, commercial papers, pre-shipment credit in foreign currency etc. Other finance charges mostly comprise foreign bank charges and other hedging cost on buyer's credit.



## DISCUSSION ON FINANCIAL PERFORMANCE

The long term rating of the Company improved from 'AA-' to 'AA'. During the year, the average borrowings reduced on account of better profitability, effective use of working capital and prepayment of some of the high interest bearing loans. The Company prepaid the high cost loans using internal accruals to refinance these loans bearing higher interest rates. The funding for projects was also met through internal accruals and low cost borrowings. The Company increased the frequency and amount of pre-shipment credit in foreign currency during the year as compared to previous year, being the cheaper source of short term funding. The Company took conscious steps to shift from high cost borrowings to low cost borrowings. The lower interest rates, negotiation of finance charges and improved credit rating of the Company reduced the borrowing cost for the Company on the overall level.

Also there has been a huge reduction in premium paid for raw material buyer's credit as company has reduced the exposure of raw material buyer's credit, thereby reducing other finance charges substantially.

### Depreciation and amortisation expense (Note 35)

Particulars	(₹ in Lacs)			
	2016-17	2015-16	Change	Change %
Depreciation of tangible assets (Refer note 3)	13,232.34	10,031.62	3,200.72	31.90
Amortisation of intangible assets (Refer note 4)	968.50	652.53	315.97	48.42
<b>Total</b>	<b>14,200.84</b>	<b>10,684.15</b>	<b>3,516.69</b>	<b>32.91</b>

Depreciation expenses of tangible assets have increased on account of commissioning of Nagpur and Halol II projects.

Amortisation of intangible assets has increased on account of creation of Intangible Property Rights (IPRs) for design and development of tyres targeted for European market.

### Other Expenses (Note 36)

Other expenses primarily include the following expenses, constituting 87.65% (March 31, 2016 87.95%) thereof:

Particulars	(₹ in Lacs)			
	2016-17	2015-16	Change	Change %
Conversion Charges	38,508.50	37,330.13	1,178.37	3.16
Stores and Spares Consumed	4,725.68	4,389.89	335.79	7.65
Power and Fuel	17,790.15	15,588.48	2,201.67	14.12
Freight and Delivery Charges	26,564.68	25,027.67	1,537.01	6.14
Repairs - Machinery	4,647.41	5,131.97	(484.56)	(9.44)
Travelling and Conveyance	3,046.07	2,760.28	285.79	10.35
Advertisement and Sales Promotion Expenses	11,787.68	10,825.71	961.97	8.89
Professional and Consultancy Charges	2,499.82	2,500.74	(0.92)	(0.04)
Training and Conference Expenses	1,116.22	963.76	152.46	15.82
Corporate Social Responsibility (CSR) expenses	1,011.01	773.35	237.66	30.73
Bank Charges	726.37	614.40	111.97	18.22

Total other expenses as a percentage of sales have gone up to 20.25% in current year from 19.78% from previous year. Conversion charges represent the charges paid to various outsourcing vendors working on job work basis i.e. converting the raw material to tyres. The increase in conversion cost during the year was on account of increase in outsourced volume.

Increase in power and fuel is an outcome of increase in tariff and higher consumption of power and fuel oil. The consumption has substantially increased due to commissioning of Nagpur and Halol projects.

Due to increase in diesel prices, there has been increase in freight cost which has been partly neutralised through better utilisation of truck capacity.

The Company has been consciously focusing on enhancing the brand equity through effective marketing. This has been witnessed by the innovative ad campaigns, continued association with IPL (CEAT Strategic Timeout), association with emerging cricketers like Ajinkya Rahane and continuing with players like Rohit Sharma and Suresh Raina for promoting CEAT logo on to their bats, etc which resulted in increased advertisement and marketing expenditure.

Training and conference expenses have increased on account of international training for senior employees. Also, as the Company is aiming for Deming award due to which trainings in QBM practice is being provided to employees.

For details on CSR expenses refer note 36 of financials and for CSR activities please refer separate section in the annual report.

#### Exceptional Items (Note 37)

Particulars	(₹ in Lacs)			
	2016-17	2015-16	Change	Change %
Voluntary Retirement Scheme (VRS)	1,332.55	1,139.99	192.56	16.89
<b>Total</b>	<b>1,332.55</b>	<b>1,139.99</b>	<b>192.56</b>	<b>16.89</b>

The Company has introduced voluntary retirement scheme (VRS) for its employees. The compensation in respect of employees who opted for VRS is reflected in the above-mentioned amounts. During the year, 93 employees (Previous year: 96 employees) opted for the VRS.

# NOTICE

NOTICE is hereby given that the Fifty-Eighth Annual General Meeting of the members of CEAT Limited will be held on Tuesday, August 8, 2017 at 3.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025 to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt:
  - a. the Audited Financial Statements of the Company for the financial year ended March 31, 2017, together with the Reports of the Board of Directors and the Auditors thereon; and
  - b. the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017, together with the Report of the Auditors thereon.
2. To declare dividend on Equity shares for the financial year ended March 31, 2017.
3. To appoint a Director in place of Mr. H. V. Goenka (DIN: 00026726), who retires by rotation and being eligible, has offered himself for re-appointment.
4. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013, read with Rule 3 (7) of the Companies (Audit and Auditors) Rules, 2014, including any statutory modification or re-enactment thereof for the time being in force; Messrs S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003), be and are hereby appointed as Statutory Auditors of the Company, for the second term of 5 (five) consecutive years pursuant to the provisions of Section 139 (2) (b) of the Companies Act, 2013, to hold office from the conclusion of this Annual General Meeting until the conclusion of the Sixty-Third Annual General Meeting of the Company to be held in the year 2022, subject to ratification at every Annual General Meeting, on such remuneration as may be mutually decided between the Board of Directors of the Company and the Statutory Auditors."

## SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 143 (8) and other applicable provisions of the Companies

Act, 2013 and the Rules framed thereunder, including any statutory modification or re-enactment thereof for the time being in force (hereinafter referred to as "the Act"), the Board of Directors, be and are hereby authorized to appoint Branch Auditor(s) for any Branch of the Company (either existing or coming into existence hereafter whether within or outside India), in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor in terms of the provisions of Section 143(8) of the Act, to audit the accounts of any of the Company's Branches, on such terms and conditions and on such remuneration as may be mutually decided by the Board of Directors and the Branch Auditors."

6. To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197 and other applicable provisions if any, of the Companies Act, 2013 read with Schedule V and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 including any statutory modification or re-enactment thereof for the time being in force (hereinafter referred to "the Act") and Articles of Association of the Company and subject to all the approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of the authorities in granting such approvals, permissions and sanctions, and subject to the approval of the Central Government, wherever required, the Company hereby approves the appointment of Mr. Anant Vardhan Goenka (DIN: 02089850) as the Managing Director of the Company for a period of 5 (five) years commencing on April 1, 2017 and ending on March 31, 2022, upon the terms and conditions set out in the Agreement dated April 3, 2017 and submitted to this meeting, (which Agreement is also hereby ratified and approved); and payment of remuneration as per details mentioned below, for the 5 (five) years from FY 2017-18 till FY 2021-22:

Sr. No.	Particulars	Amount (₹)
1	Salary (₹/p.m.) Which is eligible for revision every year as determined by the Board of Directors ("the Board")	6,17,700
2	Other Allowances (₹/p.m.) Which are eligible for revision every year as determined by the Board	15,48,378

Sr. No.	Particulars	Amount (₹)
3	Performance Bonus/ Variable Pay as per the Company policy and as determined by the Board.	
4	Perquisites: <ul style="list-style-type: none"> <li>● Company Leased Accommodation: Not exceeding 60% of Salary every year</li> <li>● Medical: Not exceeding 1 (one) months' Salary for self and family every year</li> <li>● Car and Telephone at residence for business use.</li> <li>● Other perquisites: As may be granted monetary value of which shall not exceed ₹ 10,00,000/- per annum.</li> </ul>	
5	Retirals: <ul style="list-style-type: none"> <li>● Provident Fund- @ 12% of basic salary</li> <li>● Superannuation- @ 15% of basic salary</li> <li>● Gratuity Fund -(As per the Company's Policy)</li> </ul>	

RESOLVED FURTHER THAT the Board of Directors ("the Board" which expression shall also include a Committee thereof for the time being exercising the powers conferred on the Board by this resolution) upon the recommendation of the Nomination and Remuneration Committee be and is hereby authorised to pay the above remuneration including any alterations as may be approved by the Board from time to time to Mr. Anant Vardhan Goenka, Managing Director of the Company during the period of his appointment for 5 (five) years, provided that the same is within the maximum limits prescribed in Section 197 of the Act or such other limit as may be prescribed and the Company has adequate profits during each of the said 5 (five) financial years during the tenure of the appointment mentioned above.

RESOLVED FURTHER THAT pursuant to Section II of Part II of Schedule V and other applicable provisions of the Act, if any, and subject to such approvals as may be necessary, the Board be and is hereby authorized to pay Mr. Anant Vardhan Goenka, Managing Director of the Company, the remuneration specified supra, as minimum remuneration in case the Company has no profits or its profits are inadequate during any of the 5(five) financial years mentioned hereinabove and for the said purpose the Board be and is hereby authorized to approach the relevant authorities and obtain the necessary approvals as and when necessary.

RESOLVED FURTHER THAT the Board be and is hereby authorised to increase, vary, amend the remuneration within the overall ceiling as provided under Section 197 of the Act or such other limits as may be prescribed from time to time or such other remuneration as may be approved

by the Board in case the Company does not have profits or has inadequate profits; and other terms of appointment as deemed expedient or necessary during the tenure mentioned hereinabove or as may be prescribed by the authorities giving their sanction or approval, if any.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions or doubts that may arise in this regard."

7. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 and the Rules made thereunder, including any statutory modification or re-enactment thereof for the time being in force, the remuneration of ₹ 3,00,000 (Rupees Three Lacs only) and reimbursement of out-of-pocket expenses at actual plus applicable taxes, as approved by the Board of Directors of the Company, to be paid to Messrs D. C. Dave & Co., Cost Accountants, (Firm Registration No. 000611) for conducting the audit of the cost records of the Company for the financial year ending March 31, 2018, be and is hereby ratified and confirmed."

8. To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 42, 71 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder including any statutory modification or re-enactment thereof, for the time being in force (hereinafter referred to as "the Act") and applicable provisions of any other Laws, Rules, Regulations, Guidelines, Circulars, if any, prescribed by the Government of India, Reserve Bank of India, Securities and Exchange Board of India including SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and subject to the provisions of the Memorandum and Articles of Association of the Company and such sanctions, approvals or permissions as may be required from regulatory authorities from time to time, approval of the members be and is hereby accorded to the Board of Directors of the Company ("the Board" which expression shall also include a Committee thereof, for the time being exercising the powers conferred on it by the Board by this resolution) for making offer(s) or invitation(s) to subscribe secured/unsecured, non-convertible debentures/bonds or such other debt



## NOTICE

securities ("debt securities") through private placement basis in one or more series/tranches, for an amount not exceeding ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only) within the overall borrowing limits of the Company as may be approved by the members from time to time and at such price or on such terms and conditions as the Board may from time to time determine and consider proper and beneficial to the Company including listing of such debt securities with Stock Exchange(s), size and time of issue, issue price, tenure, interest rate, premium/discount, consideration, utilization of the issue proceeds, and all matters connected with or incidental thereto.

RESOLVED FURTHER THAT for the purpose of giving effect to the said resolution, the Board be and is hereby authorized to take all such actions and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question or doubt that may arise in this regard."

### NOTES:

1. The Statement setting out material facts pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to the Special Business at the meeting, is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
3. **THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
4. A person can act as proxy on behalf of the members not exceeding 50 (fifty) and holding in aggregate not more than 10% of the total share capital of the Company. In case, a proxy is appointed by a member holding more than 10% of the total share capital carrying voting rights, such proxy shall not act as proxy for any other person or member. During the business hours of the Company, proxies are open for inspection for the period beginning before 24 (twenty four) hours from the commencement of the Meeting and ending with the conclusion of the Meeting provided that an advance notice of not less than 3 (three) days is given to the Company.
5. Proxy in prescribed Form No. MGT-11 is enclosed herewith. Proxy shall not have a right to speak at the Meeting and shall not be entitled to vote except on a poll.
6. Corporate members intending to send their authorized representative to attend the meeting are requested to send certified true copy of the Board resolution to the Company authorizing their representative to attend and vote on their behalf at the Meeting.
7. Securities and Exchange Board of India (SEBI) has, through a circular, directed all the companies to pay dividend through electronic mode. Accordingly, all the members holding shares in dematerialized form are requested to kindly update their bank account details with their respective Depository Participant (DP). Members holding shares in physical form are requested to kindly inform their bank account details to the Company and/or Registrar and Share Transfer Agents viz. TSR Darashaw Limited.
8. Members are requested to kindly refer to the Corporate Governance Report in the Annual Report for the information in respect of appointment/re-appointment of Directors, as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
9. Pursuant to the provisions of Section 152 of the Companies Act, 2013 ("the Act") and rules made thereunder and Article of Association of the Company, Mr. H. V. Goenka retires by rotation and being eligible offers himself for re-appointment. A brief resume of Mr. H. V. Goenka along with nature of his expertise is given in the Corporate Governance Report. Mr. H. V. Goenka is the father of Mr. Anant Vardhan Goenka, Managing Director of the Company.
10. The Register of Members and the Share Transfer Books of the Company will be closed from Tuesday, August 1, 2017 to Tuesday, August 8, 2017 (both days inclusive).
11. **Important notice for Members:**  
For convenience of the members and for proper conduct of the Meeting, the members are required to deposit the Attendance Slip duly signed at the counter at entry place of the meeting. Members can avail of the nomination facility, under Section 72 of the Companies Act, 2013 by filing Form No. SH-13 with the Company. Blank forms will be supplied on request.
12. **Consolidation of Folios:**  
The members holding shares in the same name or in the same order of names, under different folios, are requested to notify the relevant details of the said holdings to TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400

011 for consolidation of their shareholding into a single folio.

### 13. Change in address:

Members are requested to notify immediately any change in their address:

- a) If the shares are held in physical form to:
  - (i) The Company at its Registered Office at:  
CEAT Limited  
463, Dr. Annie Besant Road,  
Worli, Mumbai - 400 030  
OR
  - (ii) The Registrar and Share Transfer Agents of the Company at the following address:  
TSR Darashaw Limited  
6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road, Mahalaxmi,  
Mumbai - 400 011.
- b) If the shares are held in demat form to: The respective Depository Participants

### 14. Green Initiative:

Members holding shares in physical form are requested to convert their holdings into dematerialized mode to avoid loss of shares and fraudulent transactions, and for quick credit of dividend.

Members holding shares in dematerialized form are requested to register their email addresses with their Depository Participant (DP) and members holding shares in physical form are requested to register their email addresses with the Company at "investors@ceat.in" or with the Registrar and Share Transfer Agents viz. TSR Darashaw Limited by sending duly signed request.

15. As per Regulation 40(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 submission of a copy of PAN card of the transferor and transferee is mandatory for transfer of shares held in physical form.
16. The Company, after compliance with the due procedure laid down under erstwhile Clause 5A of the Listing Agreement entered into with the Stock Exchanges, now Regulation 39 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has transferred the shares covered under the share certificates, which remain unclaimed by members, to a "Suspense Demat Account" opened with Keynote Capitals Limited, Depository Participant. Members who wish to claim their equity shares are therefore, requested to write to the Company or to the Registrar and Share Transfer Agents viz.

TSR Darashaw Limited along with requisite documentary proof to claim their shares.

17. Pursuant to the provisions of Section 124 (5) of the Companies Act, 2013, dividend for the financial year ended March 31, 2010, which shall remain unclaimed or unpaid for the period of 7 (seven) years will be transferred to the Investor Education and Protection Fund (IEPF) established under Section 125 of the Companies Act, 2013. Member(s) who have not encashed their dividend warrants so far for the financial year ended March 31, 2010 or any subsequent financial years are requested to make their claims to the office of the Registrar and Share Transfer Agents, TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011. The dividend for the financial year ended March 31, 2010 will be transferred to the aforesaid account on or after September 1, 2017.
18. Electronic copy of the Annual Report for the FY 2016-17 is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members, who have not registered their email address, physical copy of the Annual Report for FY 2016-17 is being sent by permitted mode.
19. Members may also note that the Notice of the Fifty-Eighth Annual General Meeting and the Annual Report for FY 2016-17 will also be available on the Company's website i.e. [www.ceat.com](http://www.ceat.com) under the tab "Investors" for download by the members. Further, relevant documents referred to in this Notice are open for inspection at the Registered Office of the Company on all working days (except Saturdays) between 11.00 a.m. and 1.00 p.m. up to the date of the ensuing Annual General Meeting.
20. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 and the Register of Contracts or Arrangements in which the Directors are interested maintained under Section 189 of the Companies Act, 2013 will be available for inspection at the Annual General Meeting.
21. **E-voting:**  
Pursuant to Section 108 of the Companies Act, 2013 ("the Act"), read with the relevant Rules under the Act and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide the facility to members to exercise their right to vote by electronic means. The

## NOTICE

e-voting period will commence at 9.00 a.m. on Saturday, August 5, 2017 and will end at 5.00 p.m. on Monday, August 7, 2017. The Company has appointed Mr. P. N. Parikh, or failing him Mr. Mitesh Dhabliwala of Messrs Parikh & Associates, Practicing Company Secretaries, to act as the Scrutinizer, to scrutinize the voting at the Annual General Meeting (AGM) and remote e-voting process in a fair and transparent manner. The members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter.

Members have an option to vote either through remote e-voting or through physical Ballot Form or voting by electronic means at the AGM. If a member has opted for remote e-voting, then he/she should not vote at the AGM. However, in case members cast their vote both via electronic or physical ballot at AGM and remote e-voting then remote e-voting shall prevail and voting done through physical ballot/electronic means shall be treated as invalid. The Company has signed an agreement with CDSL for facilitating remote e-voting. The members who cast their vote by remote e-voting, may attend and participate at the AGM, but, shall not be entitled to cast their vote at the AGM.

The voting rights of members shall be in proportion to their shares in the paid up equity share capital of the Company as on the cut-off date. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting, as well as voting at the meeting.

Any person, who acquires shares of the Company and becomes a member of the Company after dispatch of the notice and holding shares as on the cut-off date, may follow the same procedure as mentioned below for e-voting.

The Scrutinizer shall, immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make not later than three days of conclusion of the meeting, a consolidated Scrutinizer's report of the total

votes cast in favour or against, if any, to the Chairman and/or Managing Director or a Director or a person authorized by him in writing who shall countersign the same.

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.ceat.com](http://www.ceat.com) and on the website of CDSL e-voting and communicated to the Stock Exchanges where the shares of the Company are listed. The results shall also be displayed on the Notice Board at the registered office of the Company.

The instructions for members for voting electronically are as under:

- (i) The voting period begins at 9.00 a.m. on Saturday, August 5, 2017 and will end at 5.00 p.m. on Monday, August 7, 2017. During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date Tuesday, August 1, 2017 (record date) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, he/she shall not be allowed to change it subsequently or cast vote again.
- (ii) The members should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iii) Click on Shareholders/Members.
- (iv) Now Enter your User ID:
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.

- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN*	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <p>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat count/folio number in the PAN field.</p> <p>In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.</p>
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. If both the details are not recorded with the depository or Company please enter the number of shares held by you as on the cut-off date in the Dividend Bank details field.</p>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.

- (ix) Members holding shares in physical form will then directly reach the Company election screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that the Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- (xi) Click on the EVSN of CEAT Limited on which you choose to vote.

**Electronic Voting Sequence Number (EVSN): 170703016**

- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire resolution details.

- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

- (xvi) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

- (xvii) If a demat account holder has forgotten the changed login password then Enter the User ID and the image code and click on Forgot Password and enter the details as prompted by the system.

- (xviii) Members can also cast their vote using CDSL's mobile app "m-Voting" available for Android based mobiles. The m-Voting app can be downloaded from Google Play Store, Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

- (xix) Note for Non – Individual Members and Custodians

- Non-Individual Members (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details, a compliance user should be created using the admin login and password. The compliance user would be able to link the account(s) for which they wish to vote on.



## NOTICE

- The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

Under the Authority of the Board of Directors

**Shruti Joshi**  
Company Secretary

Place: Mumbai  
Date: April 28, 2017  
**CEAT Limited**  
CIN: L25100MH1958PLC011041

**Registered Office:**  
463, Dr. Annie Besant Road,  
Worli, Mumbai 400 030  
Telephone no.: 022-24930621 Fax: 022-25297423  
E-mail: [investors@ceat.in](mailto:investors@ceat.in)  
Website: [www.ceat.com](http://www.ceat.com)

## ANNEXURE TO THE NOTICE

**Explanatory Statement setting out material facts pursuant to Section 102 of the Companies Act, 2013, to the accompanying Notice dated April 28, 2017.**

### 1. Item No. 5:

For expansion of business and markets, the Company proposes to set up Branch Offices within and outside India. For carrying out the audit of the accounts of such branches, it is necessary to appoint Branch Auditors. Members are requested to authorize the Board of Directors of the Company to appoint Branch Auditors in consultation with the Statutory Auditors of the Company and to fix their remuneration. The Board recommends the Resolution, as set out at Item No. 5 of the accompanying Notice, for approval by the members by way of ordinary resolution.

None of the Directors or Key Managerial Personnel of the Company and their respective relatives is, in any way, concerned or interested, in the resolution set out at Item No. 5 of the Notice.

### 2. Item No. 6:

Mr. Anant Vardhan Goenka was appointed as Managing Director of the Company w.e.f. April 1, 2012 for a period of 5 (five) years. At the meeting held on March 22, 2017, the Board of Directors upon recommendation of the Nomination and Remuneration Committee approved the re-appointment of Mr. Anant Vardhan Goenka for a period of 5 (five) years w.e.f. April 1, 2017 to March 31, 2022 on the terms and conditions set out in the agreement dated April 3, 2017 and submitted to this meeting.

The remuneration proposed in this Special Resolution shall be paid to Mr. Goenka within the ceiling limit provided in the Agreement and in accordance with the Schedule V and Sections 197 and 198 of the Companies Act, 2013 ("the Act") for the period of 5 (five) years with effect from April 1, 2017.

Information on the re-appointment of Managing Director pursuant to the provisions of the Companies Act 2013 and the Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

#### Information About the Appointee:

##### i. Background Details:

Mr. Anant Vardhan Goenka, 35 years is an M.B.A. from the Kellogg School of Management and a B.SC in Economics from the Wharton School. Mr. Goenka joined KEC International Limited (KEC) in 2007 and led the supply chain, manufacturing, procurement and telecom business.

He joined the Company as Deputy Managing Director in 2010 and became Managing Director in the year 2012.

Prior to joining KEC, Mr. Goenka worked at CEAT Limited, Hindustan Unilever Limited, Accenture, Mumbai and Morgan Stanley, Hong Kong.

Presently he is on the Board of following companies and also holds positions in various committees of the Board of Directors as follows:

**Directorship:**

Raychem RPG Private Limited  
Stel Holdings Limited  
Spencer & Co. Limited  
Spencer International Limited  
CEAT Specialty Tyres Limited  
Associated CEAT Holdings Company (Private) Limited, Sri Lanka  
CEAT Kelani Holdings (Private) Limited, Sri Lanka  
CEAT AKKhan Limited, Bangladesh  
Associated CEAT (Private) Limited, Sri Lanka  
CEAT Kelani International Tyres (Private) Limited, Sri Lanka  
CEAT Kelani Radials (Private) Limited, Sri Lanka  
Asian Tyres (Private) Limited, Sri Lanka

**Committee Membership:**

CEAT Limited:  
Finance and Banking Committee: Chairman  
Corporate Social Responsibility Committee: Chairman  
Special Projects/Investment Committee: Member

**ii. No. of Board meetings attended during FY 2016-17: 6 (Six)**

**iii. Past Remuneration:**

Amount in ₹

Description	2015-16	2016-17
Salary and Allowances	2,78,33,767.00	3,11,97,073.00
Perquisites	26,17,008.00	31,11,114.00
Others (Retirals)	20,75,463.00	22,94,710.00
<b>Total</b>	<b>3,25,26,238.00</b>	<b>3,66,02,897.00</b>

**iv. Recognition or awards, job profile and suitability:**

Mr. Goenka has been the Managing Director of CEAT from 2007 to 2012. During this period, he has substantially improved the operations of the Company. Financially, CEAT has been the fastest growing company in the Indian tyre industry. Its market cap has increased by more than sixteen times in the given period. PBT which was at ₹10 Crores in FY 2011-12 shot up to ₹628 Crores by FY 2015-16. Strategically, CEAT has become a far more customer friendly organization which is evident by the fact that CEAT was rated as the best company on customer satisfaction by J. D. Power. He has also led the TQM activities in CEAT which has improved the organization health by improving the systems and processes.

Mr. Goenka is amongst the top 100 CEOs in India, in the BT-PwC List of India's Top 100 CEOs, released in January 2016. Mr. Goenka is a past chairman of ATMA (Automotive Tyre Manufacturers' Association) and currently serving as the Vice Chairman of ATMA. Earlier in 2014, he was a part of The Economic Times-Spencer Stuart '40 under Forty'-India's Hottest Business Leaders list.

**v. Remuneration Proposed**

As per the details mentioned in the special resolution in the accompanying Notice.

**vi. Comparative remuneration profile with respect to industry**

The proposed remuneration (duly approved by the Nomination and Remuneration Committee and the Board of Directors) is in line with the trends in the industry and is befitting Mr. Goenka's experience and competence.

**vii. Pecuniary relationship directly or indirectly with the Company:**

Mr. Goenka is the son of Mr. H. V. Goenka, Chairman of the Company.

**viii. Shareholding:**

Equity shares held by him and his relative in the Company as on March 31, 2017:

Mr. H. V. Goenka, Chairman: 1,33,932 Equity shares

Mr. Anant Vardhan Goenka, Managing Director: 14,185 Equity shares

Pursuant to the provisions of Sections 196, 197 and all other applicable provisions of the Act, including Schedule V, the resolution for appointment of Mr. Goenka as Managing Director and payment of remuneration to him as set out at Item No. 6 of the Notice is placed before the members for their approval by way of a Special Resolution.

A copy of the Agreement dated April 3, 2017 entered into with Mr. Goenka is open for inspection by members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturdays, Sundays and Public Holidays upto the date of this Annual General Meeting.

The Board of Directors recommends the appointment of Mr. Goenka as the Managing Director of the Company and the payment of remuneration to him

## NOTICE

for a period of 5 (five) years with effect from April 1, 2017.

None of the Directors and Key Managerial Personnel of the Company and their respective relatives, except Mr. Anant Vardhan Goenka, Managing Director and Mr. H. V. Goenka, Chairman is, in any way, concerned or interested, in the resolution set out at Item No. 6 of the Notice.

### 3. Item No. 7:

Pursuant to Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, and on recommendation of the Audit Committee, the Board of Directors has at its meeting held on April 28, 2017, considered and approved the appointment of Messrs D. C. Dave & Co., Cost Accountants, to conduct audit of Cost Accounts of the Company for the financial year ending March 31, 2018, at a remuneration of ₹ 3,00,000 (Rupees Three Lacs only) and reimbursement of out of pocket expenses at actual plus applicable taxes.

The remuneration so recommended by the Audit Committee and approved by the Board of Directors is required to be ratified by the members of the Company at this Annual General Meeting.

The Board of Directors recommends the resolution at Item No. 7 of the accompanying Notice as an Ordinary Resolution for ratification of the remuneration of Cost Auditors.

None of the Directors or Key Managerial Personnel of the Company or their respective relatives is, in any way, concerned or interested in the resolution set out at Item No. 7 of the Notice.

### 4. Item No. 8:

Pursuant to Sections 42, 71 and other applicable provisions of the Companies Act, 2013 ("the Act") read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014, the Company is required to obtain the previous approval of its shareholders by means of a Special Resolution for any offer or invitation to subscribe to non convertible debentures is made by the Company on a private placement basis. Special Resolution can be obtained once in a year for all the offer(s) or invitation(s) for such debentures during that year.

In order to augment long term resources, and for general corporate purposes *inter alia*, financing of the ongoing capital expenditure for expansion of capacity, reduction of overall interest and finance cost as well as for general purposes including the restructuring/ replacement of high cost debt, the Company intends to offer invitation for subscription for secured/unsecured, non-convertible debentures/bonds or such other debt securities, in one or more series/tranches on private placement basis, not exceeding ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only).

The members of the Company had, by passing a special resolution at the Annual General Meeting held on August 9, 2016, granted an approval to the Board to offer and issue Non- Convertible Debentures on private placement basis for an aggregate amount up to ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only) in one or more tranches. The above resolution passed at the Annual General Meeting will be valid only till August 8, 2017.

Accordingly, the Board of Directors recommend the resolution at Item No. 8 of the Notice as a Special Resolution.

None of the Directors or Key Managerial Personnel of the Company or their respective relatives is, in any way, concerned or interested in the aforesaid resolution set out at Item No. 8 of the Notice.

Under the Authority of the Board of Directors

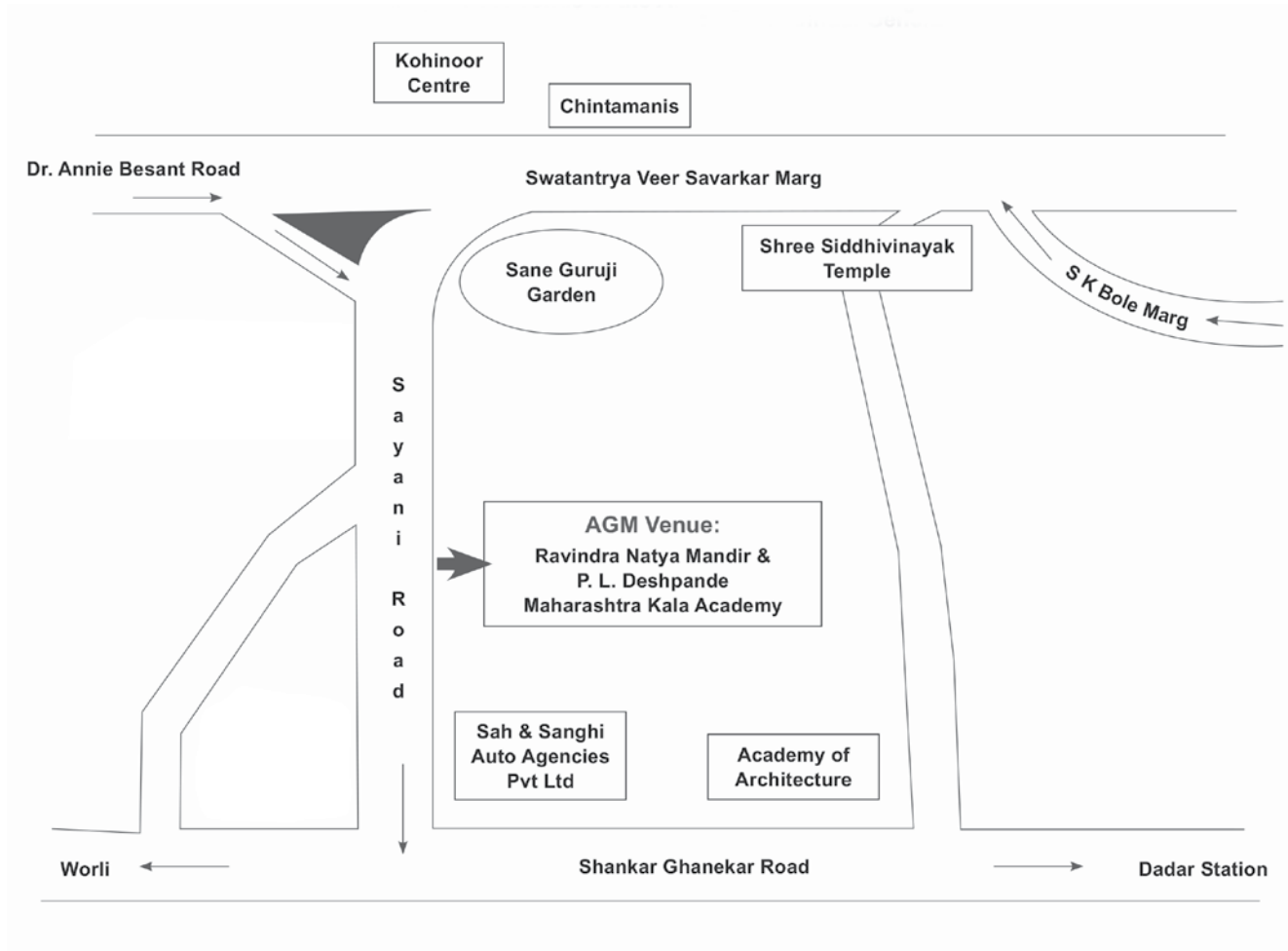
**Shruti Joshi**  
Company Secretary

Place: Mumbai  
Date: April 28, 2017

**CEAT Limited**  
CIN: L25100MH1958PLC011041

**Registered Office:**  
463, Dr. Annie Besant Road,  
Worli, Mumbai 400 030  
Telephone no.: 022-24930621 Fax: 022-25297423  
E-mail: investors@ceat.in  
Website: www.ceat.com

## Route Map for 58th Annual General Meeting



**Venue :** Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai - 400 025.



# BOARD'S REPORT

To,  
The Members of CEAT Limited

Your Directors are pleased to present their Fifty-Eighth report, together with the Standalone and Consolidated Audited Financial Statements of the Company for the year ended March 31, 2017.

## FINANCIAL HIGHLIGHTS

### I. Standalone:

₹ in Lacs

Particulars	2016-17	2015-16
Total Revenue	6,41,797.53	6,16,481.77
Total Expenses	5,93,799.94	5,52,562.22
Profit before Taxation	46,665.04	62,779.56
Tax expense:		
- Current Tax	11,444.94	15,057.86
- Deferred Tax	5,789.80	3,203.87
- MAT credit entitlement	(6,842.28)	
Profit for the period	36,272.58	44,517.83
Other Comprehensive Income:		
Items that will not be reclassified to profit or loss		
- Actuarial losses for gratuity	(483.99)	315.53
- Income tax effect on actuarial losses for Gratuity	167.50	(109.20)
Items that will be reclassified to profit or loss		
- Net Movement in cash flow hedges	(377.10)	(53.95)
- Income tax effect on net movement in cash flow hedges	130.51	18.67
<b>Total Comprehensive Income for the period</b>	<b>35,709.50</b>	<b>44,688.88</b>

### II. Consolidated:

₹ in Lacs

Particulars	2016-17	2015-16
Total Revenue	6,45,992.96	6,17,359.68
Total Expenses	6,00,932.35	5,57,531.76
Profit before Taxation	43,728.06	58,687.93
Tax expense:		
- Current Tax	11,660.33	15,308.60
- Deferred Tax	5,823.68	3,425.32
- MAT credit entitlement	(6,842.17)	-
Profit after tax, non-controlling interest and share of profit from Joint Venture	36,115.46	43,754.17
Other Comprehensive Income:		
Items that will not be reclassified to profit or loss		
- Actuarial losses for gratuity	(416.05)	280.87
- Income tax effect on actuarial losses for Gratuity	164.51	(97.20)
Items that will be reclassified to profit or loss		
- Movement in cash flow hedges	73.33	(53.95)
- Income tax effect on net movement in cash flow hedges	130.51	18.67
Movement in foreign exchange fluctuation reserve	(63.73)	110.17
<b>Total Comprehensive Income for the period (after non-controlling interest)</b>	<b>36,004.03</b>	<b>44,012.73</b>

In the preparation of financial statements, no treatment different from that prescribed in the relevant Accounting Standards have been followed.

During the year under review, on consolidated basis your Company recorded net revenue from operations of ₹ 6,44,130.10 Lacs with a growth of 4.81% over ₹ 6,14,591.14 Lacs for the last fiscal. The Company recorded a net profit of ₹ 36,115.46 Lacs, a negative growth of 17.46% over net profit of ₹ 43,754.17 Lacs of the last fiscal.

On standalone basis, your Company recorded net revenue from operations of ₹ 6,37,651.80 Lacs with an increase of 4.21% over ₹ 6,11,813.26 Lacs of the last fiscal. The Company recorded a net profit of ₹ 36,272.58 Lacs negative a decrease of 18.52% over net profit of ₹ 44,517.83 Lacs of the last fiscal.

CEAT continued to be one of the fastest growing tyre Companies in India, for a second year in a row, with a four year Revenue CAGR of 5.3% and a four year PAT CAGR of 178.42%.

## INDUSTRY UPDATE-

The calendar year 2016 was a challenging one for the world economy. Weak international trade and subdued investment slowed world growth to its weakest pace since 2009. Economic activity is projected to pick up in 2017 and 2018, especially in emerging markets. Even though the outlook is brighter this year, heightened uncertainty about policy direction in major economies casts a shadow over the prospects of recovery.

Amid this challenging environment, India has emerged amongst the fastest growing major economies in the world. The Indian economy was expected to grow by more than 7.75% in FY 2016-17, supported by strong government reforms, the Reserve Bank of India's inflation focus and benign global commodity prices. However, the second half of FY 2016-17 witnessed a slowdown in growth primarily due to the demonetization impact and a sharp rise in commodity prices.

During FY 2016-17, overall sales growth remained buoyant for the Indian Automobile industry with growth across all categories except Medium & Heavy Commercial vehicles. However, exports continued to remain a cause of concern, predominantly in the two-wheeler segment. The domestic vehicle sales grew by 7.4%, while exports showed a negative growth of 7%. Domestic Passenger vehicles and two-wheelers grew by 9.16% and 7.54% respectively. The automotive industry production which grew by 8% during FY 2014-15, decelerated to 2.3% in FY 2015-16. However, structural tailwinds point to sustenance of this trend and an annual production growth of about 7% during FY 2016-17.

The domestic tyre industry was helped by the fall in input costs in the first half specially Natural Rubber prices which fell by 15% during 2016 and crude which was on a downward spiral in 2016. This led to some margin expansion in the first half of 2017. Growth in demand from the Original Equipment

Manufacturers (OEM) and the replacement market resulted in a positive growth in FY 2016-17 over the previous year. However, the revenues of the tyre industry was affected by unabated flow of cheap Chinese tyres in the country.

## STATE OF COMPANY'S AFFAIRS

Adhering to its purpose of "Making Mobility Safer and Smarter. Every day." the Company continues its unwavering commitment to its adopted vision and strategy.

A validation of the sustained efforts that the Company has been putting in this direction was the No. 1 ranking in the J.D. Power 2017, India Original Equipment Tyre Customer Satisfaction Index (TCSI) Study released on March 28, 2017. In this highly acclaimed survey, CEAT ranked highest in overall customer satisfaction, with a score of 893 (on a 1,000-point scale).

During the year under review, a total of 92 new products were launched across different product categories. A breakthrough innovation in the form of 'Puncture Safe' motorcycle tyres was launched to address a key pain area of customers. The Company has filed a patent for the same. The Company increased its market share in the two-three wheeler and passenger car segment (motorcycle 26% to 30% and scooter 24% to 30% and Passenger Car Radials (PCR) 7% to 8.5%). In the Truck and Bus Radial (TBR) segment, the Company launched the "WIN Series" and grew by 15% in the TBR replacement market. During the year under review, the Company continued its efforts for channel expansion, in a bid to maximise customer reach. The Company's network currently caters to 600+ districts comprising of more than 4,500 dealers, 250+ two-wheeler distributors, 450+ franchisees- CEAT Shoppes and CEAT Hubs, and more than 350 multi-brand outlets and shop-in-shops. In FY 2016-17, the Company gained acceptance with premium brands in the OEM category viz. Royal Enfield Himalayan, Bajaj Vikrant, Honda Navi and Tork in two-wheelers and Verna Refresh, i10 refresh, Renault Sedan/ SUV and Nissan SUV in the PC/UV category.

Exports however, continue to remain a cause of concern primarily due to devaluation of certain currencies and overall global slowdown. The Company continues to work relentlessly to improve its exports volumes.

In line with CEAT's purpose to make mobility safer and smarter, the Company launched its media campaign "It helps" for both passenger and motorcycle tyres. This campaign is focussed on the issue of jaywalking on roads, and communicates that CEAT's two-wheeler tyres have the best-in-class wet and dry grip, which keep the rider safe.

Further in line with the Company's focus on improving road safety, two online campaigns named #NoMoreFunny and

## BOARD'S REPORT

Drive Safe Dad Bobblehead were also launched. While the #NoMoreFunny campaign focusses on reducing the drunken driving, the Bobblehead campaign is focussed on reducing the instances of speeding on roads. Both of these campaigns have gone viral in the online space, with over 1 million views each received on YouTube.

Several other marketing initiatives including Overdrive Kwid Drive from Delhi to Paris, MTV Roadies, MTV Chase the Monsoon and Mahindra Adventure were also undertaken. The Company also strengthened its brand association with cricket through a bat endorsement by Ajinkya Rahane.

The Company also continued its journey of making the workplace safer, cleaner and healthier. The British Safety Council Sword of Honour received by Halol plant was a validation of the Company moving in the right direction. Also all the plants of the Company, including the latest Nagpur smart plant are ISO 14001 and OHSAS 18001 compliant.

Favourable raw material prices, a shift to the high margin non truck product portfolio and building of an extensive distribution network contributed to increased volumes and margins for the Company during the first half of FY 2016-17. The second half however, witnessed pressure in margins due to the combined effect of demonetization and increase in the raw material prices. The Company received an upgrade in its long term credit rating from AA- to AA.

### DIVIDEND

Considering the profits for the year under review and also the capital expenditure requirements of the Company, your Directors are pleased to recommend a dividend of ₹ 11.50 per equity share of ₹ 10.00 each (i.e. 115%) for the financial year ended March 31, 2017.

During the year under review, the Company has adopted a Dividend Distribution Policy and the same is annexed herewith as "Annexure A".

### TRANSFER TO RESERVE

Your Directors have proposed not to transfer any sum to the General Reserve.

### MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the close of financial year on March 31, 2017 to which the financial statements relate and the date of this Report.

### CAPACITY EXPANSION

During the year under review, the Company completed the capacity expansion undertaken at its Halol Plant and ramped up the capacity to 120MT/day. The Company also set-up a green field manufacturing plant at Nagpur with an initial capacity of 120 MT/day for manufacture of two-three wheeler tyres at a capital outlay of ₹ 420 Crores. Currently, this facility is ramped up to 66 MT/day and is expected to be ramped up to full capacity in the second quarter of FY 2017-18.

Additionally, the Company also proposes to set up an off-the-road tyre manufacturing capacity through its wholly owned subsidiary CEAT Specialty Tyres Limited, in two phases involving a total capital outlay of ₹ 650 Crores. The first phase for 40MT/day capacity involving a capital expenditure of ₹ 330 Crores is expected to be completed by the third quarter of FY 2017-18.

The Company has also announced expansion projects for investment of approx. ₹ 2800 crores over a period of 5 (five) years up to FY 2021-22 through capacity addition at its plants at Halol (Truck Bus Radial capacity of 208 tonnes/day) and Nagpur (two-wheeler capacity of 140 tonnes/day) and investment in a greenfield capacity of 150 tonnes/day for manufacture of PCR.

### FUTURE OUTLOOK

According to reports by research agencies India could grow at a potential of 7.7 - 8 % during the period 2016 to 2020 powered by greater access to banking, technology adoption, urbanisation and other structural reforms.

According to ICRA, domestic tyre demand is expected to grow by 6-7% over the next two-three years ending FY 2018-19, supported by a broad based revival in Original Equipment (OE) demand and economic activity in the country. Pick up in rural expenditure with good monsoon would translate into higher OEM demand for the rural centric two-wheeler and tractor segments. Growing fleet on ground and higher miles driven/freight moved would drive replacement sales. The future outlook of the tyre industry is therefore expected to be stable.

The Company expects to continue the growth path gaining share in the two-wheeler, passenger car and utility vehicles segment. It also expects to increase its market share in the TBR segment. The Company shall continue to focus on increasing capacities, enhancing brand visibility, new product development and service innovation.

### SUBSIDIARY COMPANIES

At the end of the year under review, the Company had following four subsidiaries namely CEAT Specialty Tyres Limited, Mumbai

(CSTL), Rado Tyres Limited, Cochin (RTL), Associated CEAT Holdings Company (Private) Limited, Colombo, Sri Lanka, (ACHL), CEAT AKKhan Limited, Dhaka, Bangladesh (CAL).

The Company does not have any material subsidiary whose net worth exceeds 20% of the consolidated net worth of the holding company in the immediately preceding financial year or has generated 20% of the consolidated income of the Company during the previous financial year. A policy on material subsidiaries has been formulated by the Company and posted on the website of the Company at the link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx)

### CEAT Specialty Tyres Limited

CEAT Specialty Tyres Limited (CSTL), a wholly owned subsidiary of the Company, is engaged in manufacturing and sale of tyres for off-the-road vehicles/ equipment, which find application across industries including ports, construction, mining and agriculture. During the year under review, CSTL commenced setting up of its green field facility at Ambernath, in the State of Maharashtra with an initial capacity of 40 MT/day, which would subsequently be ramped up to 100 MT/day, in the next phase. The commercial production from this facility is expected from the second quarter of the current fiscal.

During the year under review, CSTL registered a revenue of ₹ 22,417.23 Lacs (Previous year ₹ 10,251.39 Lacs) and a net loss of ₹ 1,003.22 Lacs in FY 2016-17 (Previous year ₹ 1,197.58 Lacs) through its trading operations in Off- Highway tyres.

### Rado Tyres Limited

Rado Tyres Limited (RTL), having its two-three wheeler tyres manufacturing capacity at Cochin, currently supplies its entire production of automotive tyres (two-three wheeler) to the Company. During the year under review, RTL registered a revenue of ₹ 898.06 Lacs as compared to a revenue of ₹ 1,201.40 Lacs in FY 2015-16, registering a deficit of 25.25%. The net loss for the year under review has however gone up to ₹ 124.39 Lacs from ₹ 108.05 Lacs in the previous year, mainly due to labour unrest during September to November 2016 claiming higher bonus. The production tickets for FY 2016-17 have also being lower than previous year.

### Overseas Subsidiaries:

Details of ACHL and CAL are given below under the heads "Joint Venture in Sri Lanka" and "Joint Venture in Bangladesh".

### JOINT VENTURE IN SRI LANKA

ACHL, the Company's investment arm in Sri Lanka, has a 50:50 joint venture company viz. CEAT-Kelani Holdings Private Limited, which operates four manufacturing plants through its wholly owned subsidiaries in Sri Lanka.

During the year under review, ACHL has registered a revenue/ lower revenue of LKR 47,053.31 Lacs (₹21,406.24 Lacs) as compared to LKR 46,338.21 Lacs (₹21,843.83 Lacs) in FY 2015-16. However, the profit after tax has reduced by 20.99% to LKR 6,235.46 Lacs (₹2,836.75 Lacs) as compared to LKR 7,891.76 Lacs (₹3,617.93 Lacs) in FY 2015-16. ACHL's joint venture continues to enjoy the overall market leadership in all categories of tyres in Sri Lanka.

ACHL has been consistently paying dividends and it has, during the year under review, paid a dividend of ₹1,639.23 Lacs to the Company.

### JOINT VENTURE IN BANGLADESH

CEAT AKKhan Limited, (CAL), is the 70:30 joint venture (JV) of the Company in Bangladesh. CAL is setting up a green field facility for manufacture of automotive bias tyres in Bangladesh. CAL has been selling CEAT branded automotive tyres, outsourced from the Company in the local market since the last 3 (three) years. For the year under review, the revenue of CAL is BDT 6,586.07 Lacs (₹5,618.58 Lacs) as compared to BDT 6,613.77 Lacs (₹ 5,541.02 Lacs) in FY 2015-16. The net loss for the year under review is BDT 521.98 Lacs (₹ 469.94 Lacs) as compared to the net loss of previous year BDT 594.92 Lacs (₹ 435.50 Lacs).

A report on the performance and financial position of each of the Company's aforesaid subsidiaries forms part of the Annual Report.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Section 129(3) of the Companies Act, 2013 and Regulation 34(2) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, the Consolidated Financial Statements of the Company, including the financial details of all the subsidiary companies of the Company, forms part of this Annual Report. The Consolidated Financial Statements have been prepared in accordance with the Indian Accounting Standards issued by the Institute of Chartered Accountants of India.

### BUSINESS RISK MANAGEMENT

Pursuant to the requirement of Regulation 21 of SEBI (Listing Obligations and Disclosure Regulations) Regulations 2015, the Company has constituted a Risk Management Committee. The details of this Committee and its terms of reference are set out in the Corporate Governance Report, which forms part of this Report.

The Company has in place a Business Risk Management framework to identify risks and minimize their adverse impact on business and strives to create transparency which in turn enhances the Company's competitive advantage.



## BOARD'S REPORT

Pursuant to the aforesaid business risk framework, the Company has identified the business risks associated with its operations and an action plan for mitigation of the same is in place. The business risks and its mitigation have been dealt with in the Management Discussion and Analysis section of this Report.

### CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors has formed a committee on Corporate Social Responsibility (CSR) in accordance with Companies Act, 2013. The composition of the same has been given in Corporate Governance Report.

The Company, with a vision to drive 'holistic empowerment' of the community, has carried out the following CSR initiatives through RPG Foundation ("the Trust"), a public charitable trust qualified to undertake CSR activities in accordance with Schedule VII of the Companies Act, 2013:

**Netranjali** - The project aims at providing comprehensive Vision/Eye care to prevent avoidable blindness. During the year, 8,40,310 under-privileged in three target groups viz. elderly, truckers and children were educated on eye care. The project screened 1,20,645 people through 935 Eye Camps, distributed over 54,685 spectacles and made 13,685 referrals for severe cases.

**Swayam** - The project aims to promote Gender Equality and Women's Empowerment and drive powerful social change in the transport industry by training underprivileged women in driving skills to enhance livelihood across sectors such as Taxi, school vans and entrepreneurial ventures and covered 17 locations by completing 57 training batches.

**Road Smarrt** - In line with the motto of safety, the Company launched "Road Smarrt" to advocate safe driving and prevention of road fatalities. The Company targeted school children and parents to create awareness amongst children who are the future road users. The Company launched sessions in 20 schools in Mumbai covering over 10,000 children.

**Pehlay Akshar** - The project focuses on Primary Education with emphasis on English speaking and reading skills to enhance employability. During the year, the project covered 30 schools and trained 290 teachers impacting 35,000 students. Further, the initiative reached out to 2,912 students across 26 schools in Mumbai, Halol and Nashik.

**Jeevan** - The project focuses on improving quality of life in areas of clean drinking water, sanitation and health and nutrition. The project provided nutritional support and safe drinking water in schools and installed rain harvesting structures. Further, in support of the Swachh Bharat Abhiyan, sanitation facilities were

provided through construction of toilets in the communities around the Company's plants.

**Employability- Skill Development (Project-Saksham)/ (Project Sanjeevani)** - These two projects are skill development programs, which focuses on alternate livelihoods training for empowering women and technical training to youth.

- **Saksham**- During the year under review, 155 less privileged women and youths were trained in tailoring, entrepreneurship, mobile phone repairing and preparing nutritional snacks.
- **Sanjeevani**- The project trained 182 less privileged women and youths in patient care assistance as an alternate livelihood option in the communities around the Company's plants.

The Annual Report on CSR activities in pursuance of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed herewith as "**Annexure B**".

The Company has spent the entire amount of ₹ 1,011 Lacs towards CSR activities during the FY 2016-17.

### VIGIL MECHANISM /WHISTLE BLOWER POLICY

Pursuant to Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has adopted vigil mechanism in the form of Whistle Blower Policy, to deal with instances of fraud or mismanagement, if any. The Policy can be accessed at the website of the Company at link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx).

### RELATED PARTY TRANSACTIONS

The Company has formulated a policy on Related Party Transactions for purpose of identification and monitoring of such transactions. The said policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

All Related Party Transactions are placed before the Audit Committee and wherever necessary, before the Board/ members for approval. The related party transactions entered during the financial year were on an arm's length basis and in the ordinary course of business, except the contracts/arrangements or transactions entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 during the course of business but which were not at arm's length basis. The details of the same are annexed herewith as "**Annexure C**" in the prescribed Form AOC-2.

## SHARE CAPITAL

The paid up equity capital of the Company as on March 31, 2017 was ₹ 4,045.01 Lacs. The said shares are listed on the BSE Limited and the National Stock Exchange of India Limited. There is no change in the paid-up capital of the Company, during the year under review.

## NON-CONVERTIBLE DEBENTURES

The Company during FY 2015-16, had issued and allotted 2,000 Secured Redeemable Non-Convertible Debentures of ₹ 10 Lacs each on private placement basis aggregating to ₹ 20,000 Lacs. The said Secured Redeemable Non-Convertible Debentures are listed on BSE limited.

## CREDIT RATING

Your directors are pleased to inform you that during the year under review, the long term credit rating of the Company improved from "AA-" to "AA" with "Stable" outlook by its rating agencies viz. CARE and India Ratings (Fitch). The rating of AA indicates high degree of safety regarding timely servicing of financial obligations and very low credit risk. A 'Stable' outlook indicates expected stability (or retention) of the credit ratings in the medium term on account of stable credit risk profile of the entity in the medium term.

The short term facilities of the Company have been granted the rating of A1+ by CARE and India Ratings (Fitch). The rating of A1+ indicates very strong degree of safety regarding timely payment of financial obligations and carries the lowest credit risk.

## EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in the prescribed Form MGT-9 is annexed herewith as "Annexure D".

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, is annexed hereto as "Annexure E" and forms part of this report.

## PARTICULARS OF EMPLOYEES

The statement required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("the said Rules") in respect of employees of the Company, are required to be set out in this report. However, the second proviso of the sub rule (3) of Rule

5 of the said Rules permits the Company to provide the said statement on specific request of member in writing. Therefore, the Annual Report excluding the said statement is being sent to all the members of the Company and such statement shall be made available to the members on request.

The prescribed particulars of employees required under Section 134(3)(q) and Rule 5(1) of the said Rules are attached as "Annexure F" and forms part of this report.

## FIXED DEPOSITS

During the year under review, your Company discontinued the Fixed Deposit Scheme and repaid all the outstanding fixed deposits along with interest accrued up to September 30, 2016.

Hence, there are no deposits outstanding as on March 31, 2017. There were no defaults in respect of repayment of any deposits or payment of interest thereon during the year under review. The Company has not accepted any deposits which are not in compliance with the requirements of the Act.

The Company has no overdue deposits, other than the unclaimed deposits as at the end of the year under review.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

In terms of Section 134 (3) (g), the Report of the Board of Directors shall include the details of particulars of Loans, Guarantees and Investments under Section 186 of the Companies Act, 2013, which are provided in the notes to the Financial Statements. The loans and/or advances given to the employees bear interest at applicable rates.

## DIRECTORS

Messrs Vinay Bansal, Atul C. Choksey, S. Doreswamy, Mahesh S. Gupta, Haigreve Khaitan, Ranjit V. Pandit and Paras K. Chowdhary and Ms. Punita Lal are Independent Directors on the Board of the Company and the composition of the Board of Directors duly meets the criteria stipulated in Section 152 of the Companies Act, 2013.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year under review, Mr. K. R. Podar, Independent Director of the Company, ceased to be a Director of the Company with effect from February 9, 2017, because of resignation from the Board due to health reasons.

## BOARD'S REPORT

The Board at its meeting held on March 22, 2017 considered and approved the re-appointment of Mr. Anant Vardhan Goenka as Managing Director for a period of 5 (five) years w.e.f April 1, 2017 to March 31, 2022 subject to the approval of the members at the Fifty-Eighth Annual General Meeting of the Company.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. H. V. Goenka retires by rotation and being eligible offers himself for re-appointment.

### PECUNIARY RELATIONSHIP OR TRANSACTIONS OF THE NON-EXECUTIVE DIRECTORS AND DISCLOSURES ON THE REMUNERATION OF THE DIRECTORS

All pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company, along with criteria for such payments and disclosures on the remuneration of the Directors along with their shareholding are disclosed in Form MGT-9 which forms a part of this Report.

### KEY MANAGERIAL PERSONNEL

During the year under review, Mr. Kumar Subbiah was appointed as the Chief Financial Officer with effect from January 16, 2017 in place of Mr. Manoj Kumar Jaiswal. Ms. Shruti Joshi was appointed as the Company Secretary with effect from September 1, 2016 in place of Mr. H. N. Singh Rajpoot. The Company has appointed Mr. Arnab Banerjee as the Whole-time Director, designated as the Executive Director-Operations. The Board at its meeting held on March 22, 2017 approved the re-appointment of Mr. Anant Vardhan Goenka as Managing Director for a further period of 5 (five) years with effect from April 1, 2017 subject to the approval by the shareholders at the ensuing Annual General Meeting.

The above are the Key Managerial Personnel of the Company, pursuant to the provisions of Section 203 read with Section 2(51) of the Companies Act, 2013.

### INTER-SE RELATIONSHIPS BETWEEN THE DIRECTORS

There are no relationships between the Directors inter-se, except between Mr. Anant Vardhan Goenka, Managing Director and Mr. H. V. Goenka, Chairman. Mr. Anant Vardhan Goenka is the son of Mr. H. V. Goenka, Chairman.

### FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

Pursuant to the Code of Conduct for Independent Directors specified under the Companies Act, 2013 and requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has framed a familiarisation programme for all its Independent Directors to familiarize them on their roles, rights and responsibilities in the Company, the

nature of the industry in which the Company operates and its business model. The familiarisation programme posted on the website of the Company at the link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx).

### POLICY ON APPOINTMENT, TRAINING, EVALUATION AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy on Appointment, Training, Evaluation and Remuneration of Directors, Key Managerial Personnel and Senior Management Personnel (SMP) and their remuneration, which is enclosed as "Annexure G".

### EVALUATION OF BOARD, ITS COMMITTEES AND DIRECTORS

For the purpose of evaluation, the Board had finalised a questionnaire and engaged a third party to conduct an independent online confidential survey using the said questionnaire. The results of the survey/feedback were then deliberated at Board Meeting and evaluation of the Board, its Committees and the Directors were reviewed.

### MEETINGS OF THE BOARD OF DIRECTORS

During the year, 6 (Six) Board Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### BOARD COMMITTEES

Detailed composition of the mandatory Board Committees viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and non-mandatory committee viz. Finance and Banking Committee and Special Investments/Project Committee, number of meetings held during the year under review and other related details are set out in the Corporate Governance Report which forms a part of this Report.

There have been no situations where the Board has not accepted any recommendations of the Audit Committee.

The Company has formed Audit Committee and composition of the same has been given in Corporate Governance Report.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, your Directors, to the best of their knowledge and belief, make following statements that:

- i. The applicable Accounting Standards have been followed in the preparation of the annual accounts along with the proper explanation relating to material departure, if any.
- ii. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company in the Balance Sheet as at March 31, 2017 and the Statement of Profit and Loss for the said financial year ended March 31, 2017.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The annual accounts have been prepared on a going concern basis.
- v. The proper internal financial controls were in place and that such internal financial controls are adequate and were operating effectively.
- vi. The systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and are operating effectively.

### MANAGEMENT DISCUSSION AND ANALYSIS AND CORPORATE GOVERNANCE REPORT

In compliance with the Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, separate section on Management Discussion and Analysis, as approved by the Board of Directors, which includes details on the state of affairs of the Company, forms part of this Annual Report. Further, the Corporate Governance Report, duly approved by the Board of Directors together with the certificate from the Statutory Auditors confirming the compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of this Annual Report.

### BUSINESS RESPONSIBILITY REPORT

In compliance with the Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on Business Responsibility Report, as approved by the Board, which includes principles to assess compliance with environmental, social and governance norms for the year under review forms part of the Annual Report.

### STATUTORY AUDITORS

The Company at its AGM held on September 26, 2014 had

appointed Messrs S R B C & CO LLP as the Statutory Auditors for a period of 3 (three) consecutive years from the conclusion of the Fifty-Fifth Annual General Meeting to the conclusion of the Fifty-Eight Annual General Meeting subject to ratification of their appointment by the members every year. Further, the first term of the appointment of Statutory Auditors expires at the conclusion of Fifty-Eight Annual General Meeting and pursuant to the provisions of Section 139 (2) (b), an audit firm can be appointed for two terms of five consecutive years. Accordingly, statutory auditors have confirmed that their appointment for a further term of 5 (five) years, if approved at the ensuing Annual General Meeting, would be in compliance with Sections 139 and 141 of the Companies Act, 2013.

### INTERNAL AUDITORS

The Board has appointed Messrs KPMG as Internal Auditors for the period of 1 (one) year up to March 31, 2018 under Section 138 of the Companies Act, 2013 and they have completed the internal audit as per the scope defined by the Audit Committee.

### SECRETARIAL AUDITORS

The Company has appointed Messrs Parikh and Associates, Company Secretaries to conduct the Secretarial Audit for the financial year ended March 31, 2017, as required by Section 204 of the Companies Act, 2013 and rules made thereunder. The Secretarial Audit Report furnished by Messrs Parikh and Associates is annexed to this report as "Annexure H".

### COST AUDITORS

The Board of Directors has appointed Messrs D. C. Dave & Co., Cost Accountants, as Cost Auditors of the Company for FY 2017-18 and recommends ratification of their remuneration by the Members at the ensuing Annual General Meeting.

### EXPLANATION AND COMMENTS ON AUDITORS AND SECRETARIAL AUDIT REPORT

There is no qualification, disclaimer, reservation or adverse remark made either by the Statutory Auditors in Auditors Report or by the Company Secretary in practice (Secretarial Auditor) in the Secretarial Audit Report.

The Statutory Auditors have not reported any instances of fraud to the Central Government and Audit Committee as per the provisions of Section 143 (12) of the Companies Act, 2013 read with Rule 13 of the Companies (Audit and Auditors) Rules, 2014.

### SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.



## BOARD'S REPORT

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### CHANGE IN THE NATURE OF BUSINESS

During the year under review, there was no change in the nature of the business.

### INTERNAL FINANCIAL CONTROL

Details in respect of adequacy on internal financial controls with reference to the Financial Statements are stated in Management Discussion and Analysis which forms part of this Annual Report.

### HUMAN RESOURCES

CEAT continues to be a people focused organization continuously building next generation leadership.

One of the main enablers of achieving CEAT vision 2016-2021, is Unleashing Talent which emphasizes on people focus of the organization. The Company has increased its investment and capacity in training and development to develop people to their maximum potential. Focus on training and development continued through a combination of functional, technical and behavioral training programs adding up to 3.2 man-days per employee of training in FY 2016-17. The Company has been persistent on achieving process and quality excellence by building internal academies and involving employees at the grass-root level in continuous improvement through Total Quality Management (TQM) initiatives.

### DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

In accordance with the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, 4 (four) Internal Complaints Committees (ICC) have been set up to redress complaints. During the year under review 2 (two) complaints were received and resolved satisfactorily.

### ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the continued support and co-operation received from the Employees, Customers, Suppliers, Dealers, Financial Institutions, Banks and Members towards conducting the business of the Company during the year under review.

**On behalf of the Board of Directors**

**H. V. Goenka**  
Chairman

Place: Mumbai  
Date: April 28, 2017

# ANNEXURE A

## DIVIDEND DISTRIBUTION POLICY

### I Introduction and Objective:

Regulation 43A of the Securities Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'), mandates top 500 listed entities, determined on the basis of their market capitalization calculated on March 31 of every financial year to formulate a Dividend Distribution Policy.

In compliance with Regulation 43A of the Listing Regulations, the Company has framed this Dividend Distribution Policy.

This Policy aims to help the investors and Stakeholders in their investing decisions and shall be effective from the date of adoption of the same by the Board of Directors ("the Board").

### II Regulatory Framework:

The Dividend, if any, declared by the Company (including Interim Dividend) shall be governed by the provisions of the Companies Act, 2013 read with the Companies (Declaration and Payment of Dividend) Rules, 2014, the Listing Regulations and the provisions of Articles of Association of the Company, as in force from time to time (hereinafter collectively referred as "Applicable Laws").

### III Parameters/factors to be considered for declaration of dividend

#### A General:

- The Board shall recommend dividend only if it is of the opinion that it is financially prudent to do so.

#### B Financial and Internal Parameters:

The Board would consider the following financial parameters before declaring interim dividend or recommending a final dividend to shareholders for declaration:

- Stand-alone net operating profit after tax;
- Working capital requirements;
- Operating expenditure requirements including loan repayments and interest payments;
- Capital expenditure requirements;
- Resources required to fund acquisitions and inorganic growth;
- Cash to be retained for business needs;
- Cash flow required to meet contingencies;
- Outstanding borrowings and total debt equity ratio;
- Past dividend payment trends of the Company and dividend track record;

- Total Cash outflow including tax payments;
- Extra-ordinary income/profits by the Company arising from transactions such as sales of land or undertaking;
- Tax impact of the dividend and the cash outflow post tax.

The Board shall also consider the following internal factors while declaring an interim dividend or recommending a final dividend to the shareholders:

- Business Strategy of the Company,
- Expansion plans,
- Corporate restructuring,
- Scheme of arrangement or any other item which can have a financial impact on the Company,
- Unforeseen events and contingencies with financial implications

#### C External Parameters:

The Board shall also consider *inter alia* the following external factors i.e. factors on which the Management or the Company has no control, while declaring an interim dividend or recommending a final dividend:

- Business Environment
- Regulatory restrictions, if any or the prevalent statutory requirements
- Provisions of Tax laws governing dividend
- Dividend Pay-out ratios of Peers
- Economic environment and state of the capital markets
- Change in Government Policy, which can have a financial impact on the Company
- Commodity price impact on the business
- Cyclical nature of industry/business
- Need to maintain competitiveness of the Company and its business

### IV Circumstances under which the shareholders may or may not expect dividend:

The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue in future as well, unless the Company is restrained to declare dividend due to insufficient profits or due to any of the external or internal factors listed above.

Further, though the Company endeavors to declare the dividend to the shareholders, the Board may propose not to recommend dividend after analysis of various financial parameters including those listed above, cash flow position and funds required for future growth and capital expenditure or in case of a proposal to utilize excess cash for buy-back of existing share capital.

## BOARD'S REPORT

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### **V Policy as to how the retained earnings shall be utilized:**

The profits being retained in the business shall be continued to be deployed in business for meeting the operating expenses, capital expenditure, augmentation of working capital including servicing of term loans, cash outflow for business growth and potential acquisition, if any, thus contributing to the growth of business and operations of the Company.

The Company stands committed to deliver sustainable value to all its stakeholders.

### **VI Parameters that shall be adopted with regard to various classes of shares:**

The holders of the Equity Shares of the Company as per the Issued and Paid-up capital, on the record date, are entitled to receive dividends.

The other classes of shares for e.g. Preference Shares or Shares with differential voting rights will be governed by the terms of issue of such shares.

Any convertible instruments issued by the Company shall be entitled for dividend only upon conversion.

### **VII Procedure with respect to dividend:**

- The Board upon perusing the rationale for proposed pay-out, may recommend a final dividend or declare an interim dividend.
- The final dividend recommended by the Board is subject to declaration by the shareholders in the ensuing Annual General Meeting.

- The interim dividend declared by the Board shall be placed for confirmation before the shareholders in the ensuing Annual General Meeting.
- The CFO may in consultation with the MD shall also recommend to the Board transfer of such percentage of profits for that financial year as deemed appropriate to the reserves of the Company and the Board may decide on the same.
- In case of inadequacy of profits for any financial year, the Board may approve declaration of dividend out of accumulated profits of the previous years as per this Policy and the Regulatory Framework.

### **VIII Disclosure:**

The Company shall make appropriate disclosures as required under the SEBI Regulations and the Companies Act, 2013.

### **IX Amendments:**

The Board reserves the right to amend this Policy in whole or in part, at any point of time, as may be deemed necessary.

It is hereby clarified that provisions of the Applicable Laws shall prevail over the provisions of this Policy to the effect necessary amendments in the Applicable Laws have not been carried out in this Policy.

## ANNEXURE B

### ANNUAL REPORT ON CSR ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

As a responsible business corporation, the Company takes pride in taking effective CSR initiatives which are vital towards fulfilling critical societal needs and gaps not only in the communities it operates in, but also society at large on sustainable basis. Therefore, some CSR initiatives have also been aligned with the Sustainable Development Goals (SDGs) established by the United Nations. The Company's vision is to drive 'holistic empowerment' of the community through implementation of sustainable initiatives and the Company carries out these initiatives through partnerships with individuals, institutions, NGO's and Local Government Bodies through following projects in accordance with its CSR policy, read with Schedule VII of the Companies Act, 2013. The Board of Directors of the Company approved the CSR Policy with aim and object to fight hunger, poverty and malnutrition, promote education, employment, health care, gender equality, rural development and sanitation etc. as embodied in Schedule VII of the Companies Act, 2013.

The Company has undertaken activities as CSR activities within the CSR policy of the Company particularly:-

- (i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- (ii) Promoting education including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- (iii) Promoting gender equality, empowering women,

setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water.

Web-link: <http://www.ceat.com/Investors%20intimation.aspx>

2. The Composition of the CSR Committee.  
Mr. Anant Vardhan Goenka, Chairman (Managing Director)  
Mr. Vinay Bansal (Independent Director)  
Mr. Hari L. Mundra (Non-Executive Non Independent Director)
3. Average net profit of the company for last three financial years: ₹ 50,518.10 Lacs

Sr. No.	Computation of Profit for CSR	Amount (₹ In Lacs)	
1.	Net profit as per section 198: • FY 2013-14 • FY 2014-15 • FY 2015-16	40,131.12 46,516.18 64,353.84	151,001.14
2.	Average Net Profit of last 3 years		50,333.71
3.	Funds to be allocated for CSR		1,006.67

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 1,006.67 Lacs
5. Details of CSR spent during the financial year.
  - a. Total amount to be spent for the financial year; ₹ 1,011 Lacs
  - b. Amount unspent, if any; NIL
  - c. Manner in which the amount spent during the financial year is detailed below.



## BOARD'S REPORT

(₹ In Lacs)

Sr.	CSR project or activity identified	Sector in which the project is covered	Project Location (Area/District and State)	Amount outlay (Budget) Project or Programs Wise	Amount spent on the project or program	Cumulative expenditure upto reporting period	Amount spent: direct or through implementing agency*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Pehlay Akshar	Primary Education	Bhandup, Mumbai (MH) Nashik (MH) Halol (GJ)	120.00	54.79	54.79	IA 54.79
2	Pehlay Akshar School Enrichment Program (PASEP)	Teachers' Training	Worli	0.00	29.79	29.79	IA 29.79
3	Swayam	Women Empowerment	Mumbai, Pune, Nashik, Nagpur, Thane(MH), Bangalore, Hyderabad, Chennai, Mudarai, New Delhi, Mathura, Coimbatore, Tiruppur	234.15	218.53	218.53	IA 218.53
4	Saksham	Employability Skill Development:	Bhandup, Mumbai (MH) Nashik (MH) Halol (GJ)	7.50	21.25	21.25	IA 21.25
5	Netranjali	Eye Care	Halol, Nagpur, Hyderabad, Vadodara, Chennai, Mumbai, Nashik, Aurangabad, Sangli, Ashta, Igatpuri, Kolhapur, Dipka, Chakan, Pune, Jalgaon, Bilaspur, Goa, Solapur, Vani, Chandrapur, Vasal, Navi Mumbai, Kolkatta, Gaziabad, NOIDA, Bangalore	301.00	314.83	314.83	IA 314.83
6	Jeevan	Community Development	Bhandup, Nashik, Mumbai (MH)	80.00	87.44	87.44	IA 87.44
7	Sanjeevani	Health Care Professionals Training	Bhandup, Nashik & Halol	50.00	47.68	47.68	IA 47.68
8	Road Smart	Road Safety Program	Mumbai	00.00	19.98	19.98	IA 19.98
9	Other Projects			218.35	6.69	6.69	IA 6.69
<b>Total</b>				<b>1011.00</b>	<b>800.97</b>	<b>800.97</b>	<b>IA 800.97</b>

Paid to Implementing agency (IA) RPG Foundation. At the year end, ₹ 210.03 Lacs remained unspent with RPG Foundation.

CSR activities are implemented and monitored in compliance with CSR objectives and Policy of the Company.

For CEAT Limited

**Anant Vardhan Goenka**

(MD & Chairman of CSR Committee)

DIN: 02089850

**Hari L. Mundra**

(Member- CSR Committee)

DIN: 00287029

Place: Mumbai

Date: April 28, 2017

# ANNEXURE- C

## Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

### Form for disclosure of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

#### 1. Details of contracts or arrangements or transactions not at arm's length basis

Sr.	(a) Name (s) of the related party and nature of relationship	(b) Nature of contracts/ arrangements/ transactions	(c) Duration of the contracts / arrangements/ transactions	(d) Salient terms of the contracts or arrangements or transactions including the value, if any (₹ In Lacs)	(e) Justification for entering into such contracts or arrangements or transactions	(f) Date(s) of approval by the Board	(g) Amount paid as advances, if any:	(h) Date on which the special resolution was passed in general meeting as required under first provision of Section 188
1	Asian Tyres (Pvt.) Limited	Technical Development Fees received from Joint Venture company in Sri Lanka	FY 2016-17	55.00	Fees received are based on the technology agreement. Technical Development Fees received for the in-house technical developments are charged, as per Technology Agreements signed with the Joint Ventures Companies and are determined considering the cost of such in-house technical developments for which quote from external parties are not available	February 12, 2016	N.A.	N.A.
2	Associated CEAT (Pvt.) Limited  Ceat-Kelani International Tyres (Pvt.) Limited Ceat Kelani Radials Limited	Imports from Joint Venture companies in Sri Lanka	FY 2016-17	2741.39  110.84  405.85	The tyres from Sri Lanka JV Companies are imported at a price formula agreed to between the two joint venture partners and are arrived at after considering cost+mark up. Hence, they may not always compare to the prices of other sourcing parties, particularly from Chinese manufacturers. The rates being contractual obligation of the Company are fully justified.	February 12, 2016	N.A.	N.A.

#### 2. Details of material contracts or arrangement or transactions at arm's length basis

Sr.	(a) Name (s) of the related party and nature of relationship	(b) Nature of contracts/ arrangements/ transactions	(c) Duration of the contracts / arrangements/ transactions	(d) Salient terms of the contracts or arrangements or transactions including the value, if any	(e) date(s) of approval by the Board, if any	(f) Amount paid as advances, if any:
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----- NOT APPLICABLE -----

On behalf of the Board of Directors

Place: Mumbai  
Date: April 28, 2017

**H. V. Goenka**  
Chairman

## BOARD'S REPORT

## ANNEXURE D

## Form MGT-9

## EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS

i. CIN	L25100MH1958PLC011041
ii. Registration Date	March 10, 1958
iii. Name of the Company	CEAT Limited
iv. Category/ Sub-Category of the Company	Company Limited by Shares / Non-Government Company
v. Address of the Registered office and contact details	463, Dr. Annie Besant Road, Worli Mumbai-400 030 Tel No: 91-22-24930621 Fax: +91-22-25297423 E-mail : investors@ceat.in Web: www.ceat.com
vi. Whether listed Company	Yes (National Stock Exchange Limited and BSE Limited)
vii. Name Address and Contact details of Registrar and Transfer Agent, if any	TSR Darashaw Limited 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011 Email: csg-unit@tsrdarashaw.com Web: www.tsrdarashaw.com Tel.: 022-66568484; Fax: 022-66568494

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the Business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sr. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Manufacture, Distribution and sale of automotive Tyres, tubes and flaps	22111	100%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sr. No	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Associated CEAT Holdings Company (Private) Limited, Sri Lanka	Foreign Body Corporate	Subsidiary	100%	2(87)
2	CEAT AKKhan Limited, Bangladesh	Foreign Body Corporate	Subsidiary	70%	2(87)
3	CEAT Specialty Tyres Limited, India	U25199MH2012PLC236623	Subsidiary	100%	2(87)
4	Rado Tyres Limited, India	U25111KL1986PLC004449	Subsidiary	58.56%	2(87)

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as Percentage Of Total Equity)

## i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year i.e. 01.04.2016				No. of Shares held at the end of the year i.e. 31.03.2017				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(a) Individuals / Hindu Undivided Family	1,48,118	0	1,48,118	0.37	1,48,118	0	1,48,118	0.37	0.00
(b) Central Government / State Governments(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c) Bodies Corporate	1,86,03,272	0	1,86,03,272	45.99	1,86,03,273	0	1,86,03,273	45.99	0.00
(d) Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e) Any Other (specify)									
(i) Trust	4	0	4	0.00	5	0	5	0.00	0.00
<b>Sub-Total (A) (1)</b>	<b>1,87,51,394</b>	<b>0</b>	<b>1,87,51,394</b>	<b>46.36</b>	<b>1,87,51,396</b>	<b>0</b>	<b>1,87,51,396</b>	<b>46.36</b>	<b>0.00</b>
(2) Foreign									
(a) Individuals (Non-Resident Individuals / Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b) Bodies Corporate	0	17,82,348	17,82,348	4.41	0	17,82,348	17,82,348	4.41	0.00
(c) Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(d) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e) Any Other (specify)									
<b>Sub-Total (A) (2)</b>	<b>0</b>	<b>17,82,348</b>	<b>17,82,348</b>	<b>4.41</b>	<b>0</b>	<b>17,82,348</b>	<b>17,82,348</b>	<b>4.41</b>	<b>0.00</b>
<b>Total Shareholding of Promoter and Promoter Group (A)</b>	<b>1,87,51,394</b>	<b>17,82,348</b>	<b>2,05,33,742</b>	<b>50.77</b>	<b>1,87,51,396</b>	<b>17,82,348</b>	<b>2,05,33,744</b>	<b>50.77</b>	<b>0.00</b>
<b>(B) Public Shareholding</b>									
(1) Institutions									
(a) Mutual Funds / UTI	9,27,846	12,550	9,40,396	2.32	20,07,594	12,550	20,20,144	4.99	2.67
(b) Financial Institutions / Banks	16,229	5,113	21,342	0.05	22,942	5,113	28,055	0.07	0.02
(c) Central Government / State Governments(s)	0	9,700	9,700	0.02	0	9,700	9,700	0.02	0.00
(d) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e) Insurance Companies	6,75,897	75	6,75,972	1.67	9,79,281	75	9,79,356	2.42	0.75
(f) Foreign Institutional Investors	34,81,199	7,610	34,88,809	8.62	19,93,725	7,610	20,01,335	4.95	-3.68
(g) Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(i) Foreign Portfolio Investors (Corporate)	86,42,778	0	86,42,778	21.37	76,71,613	0	76,71,613	18.97	-2.40
(j) Any Other (specify)									
<b>Sub-Total (B) (1)</b>	<b>1,37,43,949</b>	<b>35,048</b>	<b>1,37,78,997</b>	<b>34.06</b>	<b>1,26,75,155</b>	<b>35,048</b>	<b>1,27,10,203</b>	<b>31.42</b>	<b>-2.64</b>

## BOARD'S REPORT

Category of Shareholders	No. of Shares held at the beginning of the year i.e. 01.04.2016				No. of Shares held at the end of the year i.e. 31.03.2017				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2) Non-Institutions									
(a) Bodies Corporate	5,22,993	21,919	5,44,912	1.35	15,11,276	20,553	15,31,829	3.79	2.44
(b) Individuals -									
i Individual shareholders holding nominal share capital upto ₹ 1 Lacs	31,62,110	6,53,038	38,15,148	9.43	32,64,636	6,26,796	38,91,432	9.62	0.19
ii Individual shareholders holding nominal share capital in excess of ₹ 1 Lacs	3,49,277	0	3,49,277	0.86	2,54,557	0	2,54,557	0.63	-0.23
(c) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(d) Any Other									
i Trusts	3,604	0	3,604	0.01	93,658	0	93,658	0.23	0.22
ii Alternate Investment Fund	0	0	0	0.00	10,250	0	10,250	0.03	0.03
iii Unclaimed Securities Suspense Account	0	0	0	0.00	0	0	0	0.00	0.00
iv Director & relatives	3,000	0	3,000	0.01	3,000	7	3,007	0.01	0.00
v Foreign Companies	14,21,375	37	14,21,412	3.51	14,21,375	37	14,21,412	3.51	0.00
<b>Sub-total (B) (2)</b>	<b>54,62,359</b>	<b>6,74,994</b>	<b>61,37,353</b>	<b>15.17</b>	<b>65,58,752</b>	<b>6,47,393</b>	<b>72,06,145</b>	<b>17.81</b>	<b>2.64</b>
<b>Total Public Shareholding (B) = (B) (1) + (B) (2)</b>	<b>1,92,06,308</b>	<b>7,10,042</b>	<b>1,99,16,350</b>	<b>49.23</b>	<b>1,92,33,907</b>	<b>6,82,441</b>	<b>1,99,16,348</b>	<b>49.23</b>	<b>0.00</b>
<b>TOTAL (A) + (B)</b>	<b>3,79,57,702</b>	<b>24,92,390</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>3,79,85,303</b>	<b>24,64,789</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>0.00</b>
(C) Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0	0	0	0.00
<b>GRAND TOTAL (A) + (B) + (C)</b>	<b>3,79,57,702</b>	<b>24,92,390</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>3,79,85,303</b>	<b>24,64,789</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>0.00</b>

## ii) Shareholding of promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year 01.04.2016				Shareholding at the end of the year 31.03.2017				% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares		
1	Chattapati Investments Limited*	2,75,876	0.68	0.00		2,75,876	0.68	0.00		0.00
2	Instant Holdings Limited	1,15,10,812	28.46	0.00		1,15,10,812	28.46	0.00		0.00
3	Societe Ceat D Investissementen Asie S A	17,82,348	4.41	0.00		17,82,348	4.41	0.00		0.00
4	STEL Holdings Limited	13,72,835	3.39	0.00		13,72,835	3.39	0.00		0.00



Sr. No.	Shareholder's Name	Shareholding at the beginning of the year 01.04.2016			Shareholding at the end of the year 31.03.2017			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
5	Summit Securities Limited	9,59,125	2.37	0.00	9,59,125	2.37	0.00	0.00
6	Swallow Associates LLP	44,84,624	11.09	0.00	44,84,624	11.09	0.00	0.00
7	Mr. Harsh Vardhan Goenka	1,33,932	0.33	0.00	1,33,932	0.33	0.00	0.00
8	Mr. Anant Vardhan Goenka	14,185	0.04	0.00	14,185	0.04	0.00	0.00
9	Sudarshan Electronics And TV Limited	0	0.00	0.00	1	0.00	0.00	0.00
10	Harsh Vardhan Goenka (in the Capacity of Trustee of Secura India Trust)	1	0.00	0.00	1	0.00	0.00	0.00
11	Harsh Vardhan Goenka (in the Capacity of Trustee of Steller Energy Trust)	1	0.00	0.00	1	0.00	0.00	0.00
12	Harsh Vardhan Goenka (in the Capacity of Trustee of Nucleus Life Trust)	1	0.00	0.00	1	0.00	0.00	0.00
13	Harsh Vardhan Goenka (in the Capacity of Trustee of Crystal India Tech Trust)	1	0.00	0.00	1	0.00	0.00	0.00
14	Harsh Vardhan Goenka (in the Capacity of Trustee of Monitor Portfolio Trust)	1	0.00	0.00	1	0.00	0.00	0.00
15	Harsh Vardhan Goenka (in the Capacity of Trustee of Prism Estates Trust)	0	0.00	0.00	1	0.00	0.00	0.00
		<b>2,05,33,742</b>	<b>50.77</b>	<b>0.00</b>	<b>2,05,33,744</b>	<b>50.77</b>	<b>0.00</b>	<b>0.00</b>

\* The name of the Company has been changed from Chattarpati Investments Limited to Chattarpati Apartments Limited w.e.f. November 18, 2013. In accordance with the Fresh Certificate of Incorporation consequent upon change of name issued by the Registrar of Companies, Maharashtra, Mumbai. Further Chattarpati Apartments Limited was converted into a Limited Liability Partnership on July 25, 2014 vide Certificate of Registration on conversion of Chattarpati Apartments Limited to Chattarpati Apartments LLP issued by the Registrar of Companies, Maharashtra, Mumbai. (-) Shareholding has been reported based on Common PAN irrespective of the Sub-Account

# BOARD'S REPORT

## iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.	Shareholding at the beginning of the year 01.04.2016 / end of the year 31.03.2017		Date	Increase/ decrease in shareholding	Reason	Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
<b>At the beginning of the year</b>	<b>2,05,33,742</b>	<b>50.77</b>	<b>01.04.2016</b>	<b>-</b>	<b>-</b>	<b>2,05,33,742</b>	<b>50.77</b>
Date wise Increase/ Decrease in Promoters Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc.) :							
1 Sudarshan Electronics And TV Limited	1	-	08.04.2016	Increase	Market Purchase	1	-
2 Harsh Vardhan Goenka (in the Capacity of Trustee of Prism Estates Trust)	1	-	20.01.2017	Increase	Market Purchase	1	-
<b>At the End of the year</b>	<b>2,05,33,744</b>	<b>50.77</b>	<b>31.03.2017</b>			<b>2,05,33,744</b>	<b>50.77</b>

## iv) Shareholding pattern of top ten Shareholders as on March 31, 2017 (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2016 / end of the year 31.03.2017		Date	Increase/ (Decrease) in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1	Jwalamukhi Investment Holdings	<b>18,20,944</b>	<b>4.50</b>	<b>01.04.2016</b>				
		-	-	24.03.2017	14,32,897	Market Purchase	32,53,841	8.04
		<b>32,53,841</b>	<b>8.04</b>	<b>31.03.2017</b>				
2	Amansa Holdings Private Limited	<b>0</b>	<b>0.00</b>	<b>01.04.2016</b>				
		-	-	09.09.2016	7,75,799	Market Purchase	7,75,799	1.92
		-	-	16.09.2016	2,85,738	Market Purchase	10,61,537	2.62
		-	-	23.09.2016	3,39,727	Market Purchase	14,01,264	3.46
		-	-	30.09.2016	6,98,620	Market Purchase	20,99,884	5.19
		-	-	10.03.2017	(1,20,163)	Market Sale	19,79,721	4.89
		-	-	17.03.2017	(4,00,107)	Market Sale	15,79,614	3.91
		<b>15,79,614</b>	<b>3.91</b>	<b>31.03.2017</b>				
3	Westbridge Crossover fund, LIC	<b>14,21,375</b>	<b>3.51</b>	<b>01.04.2016</b>	-	-	-	-
		<b>14,21,375</b>	<b>3.51</b>	<b>31.03.2017</b>	-	-	-	-

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2016 / end of the year 31.03.2017		Date	Increase/ (Decrease) in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
4	Mirae Asset Tax Saver Fund	5,15,331	1.27	01.04.2016				
				29.04.2016	15,000	Market Purchase	5,30,331	1.31
				06.05.2016	(75,000)	Market Sale	4,55,331	1.13
				13.05.2016	(80,000)	Market Sale	3,75,331	0.93
				20.05.2016	(45,789)	Market Sale	3,29,542	0.81
				27.05.2016	(30,000)	Market Sale	2,99,542	0.74
				24.06.2016	1,25,000	Market Purchase	4,24,542	1.05
				30.06.2016	20,000	Market Purchase	4,44,542	1.10
				01.07.2016	1,15,000	Market Purchase	5,59,542	1.38
				08.07.2016	60,000	Market Purchase	6,19,542	1.53
				15.07.2016	(45,000)	Market Sale	5,74,542	1.42
				09.08.2016	1,20,000	Market Purchase	6,94,542	1.72
				12.08.2016	20,000	Market Purchase	7,14,542	1.77
				26.08.2016	30,000	Market Purchase	7,44,542	1.84
				02.09.2016	1,19,000	Market Purchase	8,63,542	2.13
				09.09.2016	95,000	Market Purchase	9,58,542	2.37
				23.09.2016	(50,000)	Market Sale	9,08,542	2.25
				30.09.2016	(25,000)	Market Sale	8,83,542	2.18
				11.11.2016	67,500	Market Purchase	9,51,042	2.35
				18.11.2016	20,000	Market Purchase	9,71,042	2.40
				23.12.2016	(2,98,000)	Market Sale	6,73,042	1.66
				03.02.2017	52,000	Market Purchase	7,25,042	1.79
				10.02.2017	70,000	Market Purchase	7,95,042	1.97
				17.02.2017	1,16,849	Market Purchase	9,11,891	2.25
				24.02.2017	15,000	Market Purchase	9,26,891	2.29
				03.03.2017	1,39,000	Market Purchase	10,65,891	2.64
				10.03.2017	95,000	Market Purchase	11,60,891	2.87
				17.03.2017	55,000	Market Purchase	12,15,891	3.01
				24.03.2017	18,000	Market Purchase	12,33,891	3.05
				31.03.2017	65,000	Market Purchase	12,98,891	3.21
		13,28,891	3.21	31.03.2017				

## BOARD'S REPORT

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2016 / end of the year 31.03.2017		Date	Increase/ (Decrease) in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
5	Reliance Strategic Investments Limited	0	0.00	01.04.2016				
				23.12.2016	1,25,611	Market Purchase	1,25,611	0.31
				20.01.2017	2,48,000	Market Purchase	3,73,611	0.92
				03.02.2017	41,000	Market Purchase	4,14,611	1.02
				17.03.2017	42,000	Market Purchase	4,56,611	1.13
		4,56,611	1.13	31.03.2017				
6	Dimensional Emerging Markets Value Fund	6,98,892	1.73	01.04.2016				
				08.07.2016	(37,650)	Market Sale	6,61,242	1.63
				15.07.2016	(49,858)	Market Sale	6,11,384	1.51
				22.07.2016	(30,439)	Market Sale	5,80,945	1.44
				04.11.2016	(61,430)	Market Sale	5,19,515	1.28
				11.11.2016	(17,352)	Market Sale	5,02,163	1.24
				24.03.2017	(47,510)	Market Sale	4,54,653	1.12
				31.03.2017	(23,930)	Market Sale	4,30,723	1.06
		4,30,723	1.06	31.03.2017				
7	Hsbc Global Investment Funds - Asia Ex Japan Equity Smaller Companies	0	0.00	01.04.2016				
				02.12.2016	45,151	Market Purchase	45,151	0.11
				16.12.2016	2,07,733	Market Purchase	2,52,884	0.63
				23.12.2016	48,250	Market Purchase	3,01,134	0.74
				10.02.2017	80,309	Market Purchase	3,81,443	0.94
				24.02.2017	62,692	Market Purchase	4,44,135	1.10
				03.03.2017	62,855	Market Purchase	5,06,990	1.25
				17.03.2017	50,951	Market Purchase	5,57,941	1.38
				31.03.2017	(1,52,877)	Market Sale	4,05,064	1.00
		4,05,064	1.00	31.03.2017				

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2016 / end of the year 31.03.2017		Date	Increase/ (Decrease) in shareholding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
8	Tata Young Citizens Fund(*)	0	0.00	01.04.2016				
				23.09.2016	2,10,500	Market Purchase	2,10,500	0.52
				30.09.2016	81,230	Market Purchase	2,91,730	0.72
				11.11.2016	62,200	Market Purchase	3,53,930	0.87
				18.11.2016	(71,700)	Market Sale	2,82,230	0.70
				25.11.2016	(1,70,230)	Market Sale	1,12,000	0.28
				13.01.2017	(20,000)	Market Sale	92,000	0.23
				10.02.2017	46,000	Market Purchase	1,38,000	0.34
				24.02.2017	37,000	Market Purchase	1,75,000	0.43
				03.03.2017	1,16,900	Market Purchase	2,91,900	0.72
				17.03.2017	20,000	Market Purchase	3,11,900	0.77
				31.03.2017	59,500	Market Purchase	3,71,400	0.92
		3,71,400	0.92	31.03.2017				
		3,55,859	0.88	01.04.2016				
9	The New India Assurance Company Limited			10.06.2016	15,595	Market Purchase	3,71,454	0.92
				17.06.2016	51,453	Market Purchase	4,22,907	1.05
				24.06.2016	32,952	Market Purchase	4,55,859	1.13
				26.08.2016	15,078	Market Purchase	4,70,937	1.16
				18.11.2016	(7,000)	Market Sale	4,63,937	1.15
				25.11.2016	(3,500)	Market Sale	4,60,437	1.14
				02.12.2016	(39,500)	Market Sale	4,20,937	1.04
				27.01.2017	(3,000)	Market Sale	4,17,937	1.03
				03.02.2017	(69,263)		3,48,674	0.86
		3,48,674	0.86	31.03.2017				
		3,30,574	0.82	01.04.2016				
10	Emerging Markets Core Equity Portfolio (The Portfolio) Of Dfa Investment Dimensions Group Inc. (Dfaidg)	3,30,574	0.82	31.03.2017				
		3,30,574	0.82	01.04.2016				

\*Note: The shares of the Company are traded on daily basis. Hence the date wise increase/ decrease in the shareholding of the above shareholders are consolidated based on the Permanent Account Number (PAN) of the shareholder.



# BOARD'S REPORT

## v) Shareholding of Directors and Key Managerial Personnel:

Name : Mr. Paras K. Chowdhary, Director

Sr. No.	For Each of the Directors and KMP	Shareholding at the Beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	<b>At the beginning of the year</b>	3,000	0.01	3,000	0.01
2	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.) :	Nil	-	-	-
3	<b>At the End of the year</b>	3,000	0.01	3,000	0.01

Name : Mr. Arnab Banerjee, Director

Sr. No.	For Each of the Directors and KMP	Shareholding at the Beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	<b>At the beginning of the year</b>	7	0.00	7	0.00
2	Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.) :	Nil	-	-	-
3	<b>At the End of the year</b>	7	0.00	7	0.00

### Note:

- No other Director hold shares in the Company except Mr. H. V. Goenka, Chairman and Mr. Anant Vardhan Goenka, Managing Director, who are also the promoters of the Company and whose holdings have been given in promoter holding column of this form.
- Mr. Kumar Subbiah, Chief Financial Officer and Ms. Shruti Joshi, Company Secretary, Key Managerial Personnel, do not hold any share of the Company in their own name.

## V) INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the Financial year</b>				
i) Principal Amount	58,113.49	3,830.93	3,415.85	65,360.27
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	242.17	0	173.08	415.25
<b>Total (i+ii+iii)</b>	<b>58,355.66</b>	<b>3,830.93</b>	<b>3,588.93</b>	<b>65,775.52</b>
<b>Change in Indebtedness during the Financial year</b>				
• Addition (Includes only Principal)	45,374.75	30,000	0	75,374.75
• Reduction (Includes only Principal)	(31,590.02)	(27,942.06)	(3,415.65)	(62,947.73)
<b>Net Changes</b>	<b>13,784.73</b>	<b>2,057.94</b>	<b>(3,415.65)</b>	<b>12,427.02</b>
<b>Indebtedness at the end of the Financial year</b>				
i) Principal Amount	71,898.22	5,888.87	0.20	77,787.29
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	640.32	0	2.96	643.28
<b>Total (i + ii + iii)</b>	<b>75,038.74</b>	<b>3,388.87</b>	<b>2.96</b>	<b>78,430.57</b>

**VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. REMUNERATION TO MANAGING DIRECTOR, WHOLE- TIME DIRECTORS AND/OR MANAGER**

Sr. No.	Particulars of Remuneration	Mr. Anant Vardhan Goenka, MD	Mr. Arnab Banerjee, Executive Director	Total Amount
1	Gross Salary			
a)	Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	3,11,97,073	2,33,43,946	5,45,41,019
b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	31,11,114	2,53,308	33,64,422
c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission • As % of profit • Others, specify	-	-	-
5	Other please specify (retiral benefits)	22,94,710	9,78,477	32,73,187
<b>Total (A)</b>		<b>3,66,02,897</b>	<b>2,45,75,731</b>	<b>6,11,78,628</b>
Ceiling as per the Act				49,77,05,288

**B. REMUNERATION TO OTHER DIRECTORS**

Particulars of Remuneration	Name of Director								Total Amount
	Mr. Mahesh Gupta	Mr. S. Doreswamy	Mr. Haigreve Khaitan	Mr. Atul Choksey	Mr. Vinay Bansal	Ms. Punita Lal	Mr. K. R. Podar®	Mr. Ranjit Pandit†	
Independent Directors									
• Fee for attending board/ committee meetings	9,50,000	9,50,000	5,00,000	6,00,000	9,20,000	6,00,000	-	-	45,20,000
• Commission	5,50,000	5,50,000	5,50,000	5,50,000	5,50,000	5,50,000	4,75,000	-	37,75,000
• Others, please specify									
<b>Total (1)</b>	<b>15,00,000</b>	<b>15,00,000</b>	<b>10,50,000</b>	<b>11,50,000</b>	<b>14,70,000</b>	<b>11,50,000</b>	<b>4,75,000</b>		<b>82,95,000</b>
	Mr. H. V. Goenka	Mr. Hari Mundra	Mr. Paras K. Chowdhary**						
Other Non-Executive Directors									
• Fee for attending board committee meetings	6,00,000	7,65,000	6,65,000	-	-	-	-	-	20,30,000
• Commission	4,32,25,000	5,50,000	5,50,000	-	-	-	-	-	4,43,25,000
• Others, please specify									
<b>Total (2)</b>	<b>4,38,25,000</b>	<b>13,15,000</b>	<b>12,15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,63,55,000</b>
<b>Total (B) = (1+2)</b>	<b>4,53,25,000</b>	<b>28,15,000</b>	<b>22,65,000</b>	<b>11,50,000</b>	<b>14,70,000</b>	<b>11,50,000</b>	<b>4,75,000</b>	<b>-</b>	<b>5,46,50,000</b>
<b>Total Managerial Remuneration</b>									<b>5,46,50,000</b>
Overall Ceiling as per the Act*									4,97,70,529

\*Sitting Fees have not been considered as a component for reckoning as per the Companies Act, 2013

\*\* Mr. Paras K. Chowdhary was appointed as an Independent Director w.e.f. August 9, 2016.

# Mr. Ranjit V. Pandit has waived off his right to receive remuneration include sitting fees and commission from the Company.

@ Mr. K. R. Podar ceased to be a Director of the Company with effect from February 9, 2017.

## BOARD'S REPORT

## C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sr. No.	Particulars of Remuneration	Key Managerial Personnel				
		Mr. Manoj Jaiswal(CFO) Period from 1.04.2016-15.01.2017	Mr. Kumar Subbiah (CFO) Period from 16.01.2017-31.03.2017	Mr. H. N. Singh Rajpoot (Company Secretary) Period from 1.04.2016-31.08.2016	Ms. Shruti Joshi (Company Secretary) Period from 1.09.2016-31.03.2017	Total
1	Gross Salary					
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	1,51,59,313	27,83,985	41,31,420	18,66,368	2,39,41,086
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	26,869	3,145	6,250	19,950	56,214
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
	Commission					
4	• As % of profit • Others, specify	-	-	-	-	-
5	Other please specify (Retiral Benefits)	5,33,579	1,13,753	2,67,251	78,506	9,93,090
	<b>Total (A)</b>	<b>1,57,19,761</b>	<b>29,00,883</b>	<b>44,04,921</b>	<b>19,64,824</b>	<b>2,49,99,390</b>

## VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of penalty/ punishment/ Compounding fees imposed	Authority [RD/ NCLT/COURT]	Appeal made, if any(give Details)
<b>A. Company</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
<b>B. Directors</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
<b>C. Other Officers in Default</b>					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

On behalf of the Board of Directors

**H. V. Goenka**  
Chairman

Place: Mumbai  
Date: April 28, 2017

## ANNEXURE E

### ANNEXURE TO THE BOARD'S REPORT

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

[Pursuant to Section 134(3)(m) of The Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014]:-

##### A. CONSERVATION OF ENERGY

(a) The Company continued to give major emphasis on conservation of energy, and the measures taken during the previous years were continued. The efficiency of energy utilization in each manufacturing unit is monitored at the corporate level every quarter, in order to achieve effective conservation of energy. The significant energy conservation measures during the year were:

- Replacement of existing obsolete Hot Water Pumps (Savings 350 Units/Day).
- Installation of Magnetic Induction Lighting (Savings 500 Units/ Day).
- Conversion of Flipper Machine (Savings 250 Units/ Day).
- CFE in place of Mill for Bead Department (Savings 350 Units/Day).
- Separate Cooling Tower provided for Speciality (Savings 500 Units/Day).
- Slip Ring Motor Replacement with Induction Motor in Banbury No.3(Savings 700 Units/Day).
- CFE for BC application (Savings 400 Units/Day).
- Installation of VFD Screw Type Air Compressor (Saving of 500 KWH/Day).
- Installation of Saturated Steam Turbine (Average 1800 KWH/Day generated).
- Recovery of 12 Kg air through PCI (Saving of 600 KWH/Day).
- Auto Operation of Boiler No.2 and 4 (Saving of 600 KWH/Day).
- Replacement of Fluorescent Tube Rod by LED -1400 Nos. (Saving of 600 KWH/Day).
- Provision of Insulation to Valves ,Flanges & main steam headers to reduce heat loss.
- Installation of energy efficient GEM Steam Trap.
- WTP Pre & Post Pumping System upgradation with Energy Efficient Pumping System (Saving 190KWH/ Day).
- Dedicate Instrument Air Compressor Usage (Saving 125 KWH/Day).
- Non-curing Steam Reduction by replacement of TD Trap by Float Trap at Mixer Oil Heating Tank
- Solar Street Lights & Solar Roof top installed for non-

plant area buildings at Nagpur Plant.

- Complete Plan has been provided with LED Lights at Nagpur
- (b) Additional investments / Proposals for reduction of Consumption of energy.
- Installation of Magnetic Induction Lighting (100 nos.) at Mumbai Plant.
  - Pneumatically operated RAM Cylinder of Banbury no. 02 converted to Hydraulically Operated RAM at Mumbai Plant.
  - Cooling Tower Fan Motor to be controlled with VFD.
  - Replacement of Fluorescent Tube Rod / CFL by LED at Nashik Plant.
  - Installation of VFD for Boiler No.1 and 3 FD Fans at Nashik Plant.
  - Main air cut -off valve through emergency for maximum machines at Nashik Plant.
  - Auto control of all Mixing Mills water through Piston Valve at Nashik Plant.
  - Replacement of old ceiling fans by energy efficient fans at Nashik Plant.
  - Auto On/Off Operation for OHT Pump at Nashik Plant
  - Installation of Turbo Generators at Halol Plant
  - Solar Panel installations on RCC Roof tops at Halol Plant.

##### B. TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

###### Research and Development (R&D)

###### 1. Specific areas in which R&D activities were carried out by the Company:

Research & Development activities were carried out based on a 5 (five) year rolling roadmap, aligning with company vision, with mid-term and long-term views, using in-house and collaborative mode, in order to proactively achieve technological edge continuously. New technologies and New product developments were carried out in all the product categories ranging from scooter tyres to giant earthmover tyres for customers like OEM, domestic replacement and export markets. This included development of Key technologies such as new tread patterns and designs, new compounds and new processes, supporting technologies such as simulations and objective testing and timely development of products to meet the customer requirements. Activities were also carried out to improve key performance characteristics such as durability, tread life, grip, ride, handling, rolling resistance, noise and extended mobility. Development of new designs, formulations, materials

## BOARD'S REPORT

and alternate sources were also done to meet specific performance and cost targets. Development and improvement of processes and equipment/ machineries was another key area targeting quality, consistency, productivity and energy efficiency. Several strategic collaborative development programs were carried out with premier research institutes and global vendors on innovative technologies and materials. New investments in the areas of predictive testing and advanced raw material characterization resulted in significant technological edge over competition. A skill development program through a newly formed Technical Academy was a unique approach for knowledge enhancement.

### 2. Benefits derived as a result of the above R&D

Several projects carried out by the R&D centre resulted in over 22% of turn over coming out of new products. The development programs with OEMs resulted in product approvals and continuous supplies to many leading OEMs including Honda, Suzuki, Yamaha, Bajaj and Royal Enfield in two wheeler premium models upto 400CC, Renault, Hyundai and Maruti in car radial tyres, Mahindra and Mahindra in SUV and Daimler, Volvo and Eicher in Truck radial tyres. 6 new product platforms were developed in PCR/ UVR and 5 platforms in 2W with key value propositions to meet the customer requirements of various market segments. This also resulted in 19 new projects with Hyundai, MSIL, Renault and Mahindra in PCR/UVR segment and Volvo Eicher in Truck radials.

CEAT PCR products launched in Italy got well accepted and the product series is getting expanded to other European countries with Summer and Winter product series.

In Truck-Bus radial tyre category, two concern areas of belt durability and bead durability were addressed through innovative material and design technologies. This has resulted in significant customer acceptance.

CEAT launched its indigenously developed puncture safe series of tubeless two wheeler tyres, first time in selected markets in India.

Dedicated efforts and focus on introducing novel raw materials and reinforcement materials and its processing techniques, resulted in introducing many high performing and cost effective approaches. Introduction

of a pilot plant facility helped in the development of puncture proof tyres and motorcycle radials.

Projects taken up in objective testing and Simulation resulted in improved prediction capability of tyre traction, foot print, tyre rolling resistance and noise. Drive for digitization and automation resulted in significant progress in tyre designing area. A focused approach to safeguard IP resulted in 4 Patents, during the year under review, thus totalling 10.

### 3. Future plan of action

Continued focus on passenger segment reinforces the need for enhancing current capabilities in fuel efficiency, grip, durability and noise. In a major effort to improve R&D capability in these areas, advanced testing equipments are added in Tyre testing and Material development laboratories. Capability development of these equipments, which includes state of the art Flat Track machine for object oriented tyre testing, would be one of the key focuses this year. Meeting continuously evolving environmental, health and safety standards is continue to be a key challenge. R&D centre is all set to meet these challenges through a cross functional working approach with a highly motivated team, knowledge enhancement programs, technology development initiatives and collaborative work with consultants and premium institutes from India and Europe. Automisation, digitization are continuing to be our key focus area and many softwares are being added to meet this objective. A new Research vertical is being added to focus on basic research.

Efforts are being put to develop tyres for cars and CUV/SUVs of premium OEMs of MNCs. Expanding platforms for Europe mainly in all season and SUV is going to be another focus area. Technology development for super single Truck tyres, ultra high performance winter tyres, smarter products are planned. As far as performance improvement is concerned, proactively addressing performance gaps are going to be prime areas of focus. Various technologies are being developed to improve tyre performance at nominal cost.

In line with the Company's vision to focus on safety, a new platform is being developed in two wheeler tyre category providing grip throughout the tyre life.



**4. Expenditure on research and development**

(₹ in Lacs)

	2016-17	2015-16
Capital	7,581.31	116.14
Recurring	5,594.12	5,106.78
<b>Total</b>	<b>13,175.43</b>	<b>5,222.92</b>

**Technology absorption, adaptation and innovation****1 Efforts, in brief, made towards technology absorption, adaptation and innovation:**

Partnership and product development with automobile OEMs like MarutiSuzuki, Hyundai, Renault, Honda, Yamaha, Bajaj, Royal Enfield, Mahindra & Mahindra and Tata helped in taking-up emerging challenges in automobile industry and developing technological innovations to meet current and future customer requirements. Strategic partnerships and external research projects with research institutions and global material and equipment/machinery suppliers enabled us to innovate in many emerging areas of materials, compounding and design technologies to effectively apply in products and processes to improve performance, productivity, efficiency and also to meet customer specified requirements.

Sophisticated and modern experimentation methods and simulation techniques helped us in trying-out many innovative concepts in virtual mode in conceptual and prototyping stages to improve performance and cut-down both cost and development time.

Joint Contracts and development projects were initiated with consultants and domain experts from Europe and Japan. The area of work included development of new Product Patterns and Designs, Advanced material technology, Process development and simulation capability development.

**2 Benefits of the above are:****a. Product Development:**

Development of new tread patterns, designs, materials, formulations meet specific customer requirements of replacement, OEM and export markets.

Launching of indigenously developed Puncture Safe series for Tubeless motorcycle tyres. Successful launch of Passenger radial tyres in Europe meeting tyre Labeling requirements.

**b. Product Improvements:**

Continuous Improvement of product performance through design, material and formulation modifications. This also resulted in reduction of carbon footprint contributing to sustainability initiatives.

**c. Cost reduction:**

New raw material development and alternative and indigenous sources helped reducing cost. Development of economic formulations keeping performance in mind also yielded cost reduction.

**d. Import Substitution**

Indigenous development of raw materials with the help of advanced characterization facilities, process equipment, machinery, toolings and accessories resulted in substantial cost reduction and development time.

**e. Process Development**

In-house new process development and improvement resulted in introduction of novel products, improved consistency, productivity and energy efficiency.

**3 In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished: NA****C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Lacs)

	2016-17	2015-16
Foreign exchange Earned	77,589.48	72,703.69
Foreign exchange used	1,44,251.90	1,57,634.78

**On behalf of the Board of Directors****H. V. Goenka**

Chairman

Place: Mumbai

Date: April 28, 2017

## BOARD'S REPORT

## ANNEXURE F

**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 134(3(q)) OF THE COMPANIES ACT, 2013  
READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL  
PERSONNEL) RULES, 2014**

Particulars		
(i) the ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;	Mr. H. V. Goenka	91.47
	Mr. Anant Vardhan Goenka	51.29
	Mr. Arnab Banerjee	51.29
	Mr. Hari L. Mundra	2.74
	Mr. Paras K. Chowdhary	2.54
	Mr. Mahesh S. Gupta	3.13
	Mr. S. Doreswamy	3.13
	Mr. Haigreve Khaitan	2.19
	Mr. Atul C. Choksey	2.40
	Mr. K. R. Podar	0.99
	Mr. Vinay Bansal	3.07
	Ms. Punita Lal	2.40
(ii) the percentage Increase / (Decrease) in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Mr. Anant Vardhan Goenka, MD :	13%
	Mr. Arnab Banerjee, ED :	14%
	Mr. Kumar Subbiah, CFO :	25%
	(appointed w.e.f. January 16, 2017)	
	Ms. Shruti Joshi, CS :	22%
(iii) the percentage Increase in the median remuneration of employees in the financial year;	(appointed w.e.f. September 1, 2016)	
	1.30%	
(iv) the number of permanent employees on the rolls of Company;	5,580 Employees as on March 31, 2017	
(v) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average increase in salaries of employees during FY2016-17 was 6.53% as against an increase of 13% in the salary of Managing Director.	
	The increment given to each employee is based on performance of the individual and performance of the Company during the financial year.	
	There is no exceptional increase in the managerial remuneration.	
(vi) affirmation that the remuneration is as per the remuneration policy of the Company.	Remuneration paid during the FY 2016-17 is as per the Remuneration Policy of the Company	

On behalf of the Board of Directors

**H. V. Goenka**  
Chairman

Place: Mumbai  
Date: April 28, 2017

## ANNEXURE G

### Policy on Appointment, Training, Evaluation and Remuneration of the Directors, Key Managerial Personnel and Senior Managerial Personnel

#### 1) Objective:

- a. Ensure Compliance of the applicable provisions of the Companies Act 2013 (the Act), the erstwhile Listing Agreement entered into with Stock Exchange (as amended or re-enacted from time to time) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") related to the Appointment, Training, Evaluation and Remuneration of the Directors, Senior Management Personnel, including Key Managerial Personnel.
- b. To adopt best practices and achieve good Corporate Governance as well as long term value creation for stakeholder.

#### 2) Constitution of the Nomination and Remuneration Committee:

The Board has constituted the Nomination and Remuneration Committee (NRC) on 8th April, 2014 as per Companies Act, 2013 ("the Act").

#### 3) Definition:

- a) "Act" means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- b) "Board" means Board of Directors of the Company.
- c) "Company" means CEAT Limited.
- d) "Directors" means Directors of the Company.
- e) "Managing Director (MD)" means a Director who, by virtue of the Articles of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the Company and includes a director occupying the position of managing, by whatever name called.
- f) "Whole time director (WTD)" in relation to Company means and includes a director in whole time employment of the Company.
- g) "Independent Director (ID)" in relation to Company shall have the same meaning as defined under Section 149(6) of the Act and Clause 49 of the erstwhile Listing Agreement/SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

("Listing Regulations").

- h) "Non Executive director (NED)" in relation to Company means a member of a Company's Board of Directors who is not in whole-time employment of the Company.
- i) "Key Managerial Personnel (KMP)" mean:
  - i. The Chief Executive Officer (CEO) or the Managing Director (MD) or the Manager;
  - ii. The Company Secretary;
  - iii. The Whole-time Director;
  - iv. The Chief Financial Officer (CFO); and
  - v. Such other officer as may be prescribed by the Board of Directors from time to time.
- j) "Senior Management Personnel" (SMP) in relation to Company includes all the employees of the Company at Senior Vice-President Grade and above.

Unless the context otherwise requires, words and expressions under in this policy and not defined herein but defined in the Companies Act, 2013, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

#### 4) Diversity in the Board Of Directors:

Diversity refers to the variety of attributes of diverse nature between people and encompasses acceptance, respect and an understanding that each individual is unique. These differences can include age, gender, ethnicity, physical abilities, marital status, ideologies, background, knowledge and skills.

#### 5) Requirement relating to appointment of Directors:

- i. The Company shall appoint only those persons who possess requisite qualifications and experience and positive attributes within overall framework of diversity and are able to provide policy direction to the Company, including directions on good Corporate Governance. Prior experience of being a CEO, MD or a WTD of any company shall be given importance while considering appointment.
- ii. Additional requirements for appointment of Audit Committee member:
  - a) He/she should be financially literate and possess the ability to read and understand basic financial statements i.e. Balance Sheet, Statement of Profit and Loss and Cash Flow Statement.

## BOARD'S REPORT

- b) He/she should have accounting or related financial management expertise. A person will be considered to have accounting or related financial management expertise if he/she possesses experience in finance or accounting or requisite professional certification in accounting, or any other comparable experience or background which results in the financial sophistication.
  - c) He/she is or has been Chief Executive Officer (CEO), Chief Financial Officer (CFO) or other Senior Officer with financial oversight responsibilities.
  - iii. Disqualifications:  
  
Any person to be appointed as Director shall not possess the following disqualifications prescribed in Section 164 (1) of the Companies Act, 2013:
    - a) He/she shall not be less than 21 years of age.
    - b) He/she shall not be of unsound mind nor stand so declared by a competent court.
    - c) He/she shall not be an undischarged insolvent.
    - d) He/she has not applied to be adjudicated as an insolvent and his/her application is pending.
    - e) He/she has not been convicted of an offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence.
    - f) A person shall however not be appointed as director of the Company, if he is a director in a Company which has failed to:
      - i. File Financial Statements or Annual Returns for any continuous period of three financial years;
      - ii. Repay deposits or pay interest thereon on due date;
      - iii. Redeem debentures on due date or pay interest due thereon;
      - iv. Pay dividend already declared by the said Company, and such defaults continue for one year or more.
  - iv. Automatic vacation of the office:  
  
A Director shall automatically vacate his office in the following cases:
    - a) He/she attracts any disqualification prescribed herein above;
    - b) He/she absents from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board of Directors;
    - c) He/she acts in contravention of the provisions of Section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
    - d) He/she fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of Section 184.
  - v. Applicability of Policies:  
  
All persons appointed as Directors of the Company, including the MD and the Executive Director(s), KMPs and SMPs shall ensure compliance with the Policies and Procedures adopted by the Company, from time to time such as the Code of Conduct for Directors and Senior Management Personnel, the Code of Fair Disclosure Conduct (For Regulating, Monitoring and Reporting of Trading by Insiders), Whistle Blower Policy, Code of Corporate Governance and Ethics or any other Company's policy applicable to them.
- 6) Appointment of KMPs/SMPs:**
- a) The appointment of the MD, CEO, WTD and the CS shall be approved by the Board of Directors by means of a resolution.
  - b) The appointments of SMP shall be approved by MD on recommendation of the Human Resources Department (HRD).
- 7) Evaluation of Performance:**
- a) The NRC shall carry out the evaluation of performance of every Director as under:

- Before re-appointment of Executive and Non-Executive Directors.
- At the time of recommendation of any remuneration payable to Executive and Non-Executive Directors or changes therein.
- At such time, as the applicable laws or the circumstances may require.

- b) The evaluation of KMPs and SMPs shall be carried out by the MD, excluding himself/ herself and the WTD.

#### 8. Remuneration to NEDs, KMPs and SMPs:

- a) The remuneration of MD and WTD shall be proposed by the NRC and subsequently approved by the Board of Directors and the shareholders of the Company, whenever required.
- b) The NEDs shall be entitled to receive the following within overall limits prescribed in the Companies Act, 2013:
- Sitting fees as may be decided by the Board of Directors from time to time for attending the meeting of the Board and Committee thereof.
  - Payment of Commission as upto the limits permitted under Section 197 and also approved by the shareholders from time to time.

- c) Remuneration payable to KMPs shall be recommended by NRC considering evaluation mechanism and guiding principles of remuneration as mentioned in the Policy.

- d) The remuneration paid to the SMPs shall be determined by the MD considering the evaluation mechanism.

- e) The NRC may consider grant of Stock options to KMPs and SMPs pursuant to any Stock Option Plan adopted by the Company.

- f) The IDs shall not be eligible for any Stock Options, pursuant to any Stock Option Plan adopted by the Company.

#### 9. Directors and Officer Liability Insurance:

The Company shall provide an insurance cover to NEDs, KMPs and SMPs for indemnifying them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust shall not be treated as a part of remuneration paid to them.



## BOARD'S REPORT

## ANNEXURE H

## Form No. MR-3

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

(Pursuant to Section 204 (1) of the Companies Act, 2013 and  
rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel)  
Rules, 2014)

To,  
The Members,  
CEAT Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by CEAT Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records made available to us and maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contract (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (Not applicable to the Company during the audit period)
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the Company during the audit period)
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the audit period) and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the audit period)
- (vi) Other laws applicable specifically to the Company namely:
  - a. The Rubber Act, 1947 and the Rubber Rules, 1955.

We have also examined compliance with the applicable clauses of the following:

  - (i) Secretarial Standards issued by The Institute of Company Secretaries of India with respect to board and general meetings.
  - (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the Board Meetings were taken unanimously.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period no events occurred which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.

**For Parikh & Associates**  
Company Secretaries

Place: Mumbai  
Date: April 28, 2017

Signature:

**P. N. Parikh**  
Partner

FCS No: 327 CP No: 1228

*This Report is to be read with our letter of even date which is annexed as Annexure A and Forms an integral part of this report.*

## 'Annexure A'

To,  
The Members  
CEAT Limited

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For Parikh & Associates**  
Company Secretaries

Signature:

**P. N. Parikh**  
Partner

FCS No: 327 CP No: 1228

Place: Mumbai  
Date: April 28, 2017

# CORPORATE GOVERNANCE REPORT

The Corporate Governance Report, FY 2016-17, which forms a part of Board's Report, is prepared pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations"). This report is for compliance with the Listing Regulations.

## I. COMPANY PHILOSOPHY

The Company's philosophy on Corporate Governance mirrors its belief that principles of transparency, fairness and accountability towards the stakeholders are the pillars of a good governance system. The Company believes that the discipline of Corporate Governance pertains to systems, by which companies are directed and controlled, keeping interests of members, while respecting interests of other stakeholders and society at large. It aims to align interests of the Company with its members and other key stakeholders. Accordingly, this Company's philosophy extends beyond what is being reported under this Report and it has been the Company's constant endeavour to attain the highest levels of Corporate Governance.

## II. BOARD OF DIRECTORS

The Board of Directors ensures that the Company runs its business on fair and ethical principles and plays an important role in creation of value for its stakeholders, in terms of the RPG Code of Corporate Governance and Ethics Policy adopted by the Company. All statutory and other significant and material information including information mentioned in Regulation 17(7) read with Part A of Schedule II of the Listing Regulations, is placed before the Board of Directors to enable them to discharge their responsibilities of strategic supervision of the Company with due compliance of laws and as trustees of stakeholders. The Managing Director and Executive Director are responsible for the day-to-day management of the Company, subject to the supervision, direction and control of the Board of Directors. The Executive Directors

are ably assisted by the Management Committee and Operating Committee, which implement the decisions and the strategic policies of the Board of Directors.

### 1. Composition:

As on March 31, 2017, the Board of Directors of the Company consisted of 12 (twelve) Directors of whom, 2 (two) were 'Executive' Directors and 10 (ten) were 'Non-Executive' Directors.

The Chairman, Mr. H. V. Goenka is a Non-Executive Director. Mr. Anant Vardhan Goenka, Managing Director and Mr. Arnab Banerjee, Whole-time Director (designated as the Executive Director- Operations) are the Executive Directors. Mr. H. V. Goenka, Chairman is the father of Mr. Anant Vardhan Goenka, Managing Director of the Company.

The Directors are eminent industrialists/professionals with experience in industry/business/law and bring with them the reputation of independent judgement and experience, which they exercise and also satisfy the criteria of independence. However, the Board of Directors, adopting a more exacting view, has decided to treat only the Directors, as indicated in the para (2) below, as Independent Directors.

### 2. Board Meetings held during the year and attendance thereat:

During the Financial Year ended March 31, 2017, 6 (six) meetings of the Board of Directors were held on April 27, 2016; July 28, 2016; November 7, 2016; December 16, 2016; February 7, 2017 and March 22, 2017. Details of Directors and their attendance in the said Board Meetings and also at the last Annual General Meeting are given below:

Name	Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 9, 2016	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies*	
					Chairman	Member**
Mr. H. V. Goenka (Promoter)	Non-Executive/Non-Independent	6	Yes	6	-	-
Mr. Anant Vardhan Goenka (Promoter)	Executive/Non-Independent	6	Yes	4	-	-
Mr. Arnab Banerjee	Executive/Non-Independent	5	Yes	1	-	-
Mr. Paras K. Chowdhary	Non-Executive/Independent	6	Yes	3	1	2
Mr. Mahesh S. Gupta	Non-Executive/Independent	6	Yes	4	1	4
Mr. Atul C. Choksey	Non-Executive/Independent	6	No	7	1	1
Mr. S. Doreswamy	Non-Executive/Independent	6	Yes	1	2	2

Name	Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 9, 2016	No. of Directorships in other public limited companies	No. of Committee positions held in other public limited companies*	
					Chairman	Member**
Mr. Haigreve Khaitan	Non-Executive/Independent	5	No	8	3	8
Mr. Hari L. Mundra	Non-Executive/Non-Independent	5	No	3	1	3
Mr. K. R. Podar#	Non-Executive/Independent	0	No	-	-	-
Mr. Vinay Bansal	Non-Executive/Independent	6	Yes	-	-	-
Ms. Punita Lal	Non-Executive/Independent	6	No	4	-	-
Mr. Ranjit V. Pandit	Non-Executive/Independent	5	Yes	3	-	-

\* Only Audit Committee, Stakeholders' Relationship Committee is reckoned for this purpose.

\*\* Membership in a Committee is inclusive of Chairmanship held by the Director.

#Resigned w.e.f. February 9, 2017

### Details of the Directors proposed for Appointment/ Re-appointment at the ensuing Annual General Meeting of the Company:

#### i) Mr. H. V. Goenka:

Mr. H. V. Goenka, aged 59 years, is the Group Chairman of RPG Enterprises, one of the leading and oldest business groups in India. The elder son of late Shri R. P. Goenka, founder of RPG Group, he has inherited two centuries of entrepreneurial business acumen of the well-known Goenkas of Kolkata. He is a graduate in Economics and an MBA from IMD, Switzerland. He has served as President of the Indian Merchants' Chambers and as member on the Executive Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI). He is currently a member of the Foundation Board of IMD, Lausanne, Switzerland and the Chairman of Breach Candy Hospital Trust. Mr. Goenka has been on the Company's Board since 1981.

#### Other Directorships:

- Bajaj Electricals Limited
- Raychem RPG Private Limited
- RPG Enterprises Limited
- Zensar Technologies Limited
- Spencer International Hotels Limited
- KEC International Limited
- RPG Life Sciences Limited

Mr. Goenka is the Chairman of Special Investments/ Projects Committee of the Board of Directors of the Company.

### III. COMMITTEES OF THE BOARD

#### (i) Audit Committee:

The Company has complied with the requirements of

Section 177 of Companies Act, 2013 ("the Act") and Regulation 18 (1) of the Listing Regulations applicable to the composition of the Audit Committee. The Audit Committee has 4 (four) members, Mr. Mahesh S. Gupta; Mr. S. Doreswamy; Mr. Hari L. Mundra and Mr. Vinay Bansal. All the members of the Audit Committee are financially literate as per the requirements of Listing Regulations. Mr. Mahesh S. Gupta is the Chairman of the Committee who is an Independent Director.

During the financial year ended March 31, 2017, 6 (six) meetings of the Audit Committee were held on April 27, 2016, July 28, 2016, November 7, 2016, December 16, 2016, February 6, 2017 and March 22, 2017.

#### Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. Mahesh S. Gupta	6
Mr. S. Doreswamy	6
Mr. Hari L. Mundra	5
Mr. Vinay Bansal	6

The requisite quorum was present at all meetings.

The terms of reference of Audit Committee included the matters specified under Regulation 18 of Listing Regulations as well as in Section 177 of the Act. The terms of reference of the Audit Committee, *inter alia*, include the following:

- To recommend the appointment/re-appointment/replacement, remuneration and terms of appointment of the Auditors of the Company.

## CORPORATE GOVERNANCE REPORT

- (b) To review and monitor Auditor's independence and performance and effectiveness of audit process.
- (c) To approve payment to Statutory Auditors for any other services rendered by Statutory Auditors.
- (d) To review effectiveness of the audit process and adequacy of the internal audit function, if any, including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of the internal audit.
- (e) To examine Financial Statements and Auditors' Report thereon and for this purpose, to call, if necessary, the comments of the Auditors about the following:
  - (i) Internal control systems;
  - (ii) Scope of audit, including observations of Auditors.
- (f) To recommend the Financial Statements to the Board for approval, after carrying out the procedure mentioned at (e) above.
- (g) To approve transactions of the Company with Related Parties, including any subsequent modifications.
- (h) To scrutinize inter-corporate loans and investments made by the Company.
- (i) To carry out valuation of undertakings and the assets of the Company, wherever it is necessary.
- (j) To evaluate the Internal Financial Controls and Risk Management Systems.
- (k) To review, with the management, performance of Statutory and Internal Auditors, adequacy of the Internal control system.
- (l) To investigate into any matter specified under serial nos. (a) to (k) above and any other matter referred to it by the Board and for this purpose to obtain advise of external professionals, if necessary, and accord them full access to the information contained in the records of the Company.
- (m) To give personal hearing to the Auditors and key managerial personnel, if necessary, while reviewing the Auditor's Report.
- (n) To oversee the Company's financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and creditable.
- (o) To review the Annual Financial Statements and Auditors' Report thereon with the Management before submitting the same to the Board particularly the following:
  - I. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause(c) of sub-section (3) of Section 134 of Companies Act, 2013;
  - II. Changes, if any, in accounting policies and practices and reasons for the same;
  - III. Major accounting entries involving estimates based on the exercise of judgment by management;
  - IV. Significant adjustments made in the financial statements arising out of audit findings;
  - V. Compliance with listing and other legal requirements relating to financial statements;
  - VI. Disclosure of any related party transactions;
  - VII. Modified opinion (s) in the draft Audit Report.
- (p) To review, with the Management, the Quarterly Financial Statements before submission to the Board for approval.
- (q) To review, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated on the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- (r) To discuss with the Internal Auditors any significant findings and follow-up thereon.



- (s) To review findings of any internal investigations, by the internal auditors into matters where there is suspected frauds or irregularities or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (t) To discuss with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (u) To look into the reasons for substantial defaults in the payment to the depositories, shareholders (in case of non-payment of declared dividends), deposit holders, debenture holders and creditors.
- (v) To review the functioning of the Whistle Blower Mechanism.
- (w) To approve appointment of Chief Financial Officer, including the whole-time Finance Director, after assessing the qualifications, experience and background, etc. of the candidate.
- (x) To carry out any other function, as may be assigned to Audit Committee pursuant to any amendments to the Listing Regulations and the applicable provisions of the Companies Act, 2013.
- (y) To review the following information/document:
  - i. Management discussion and analysis of financial condition and results of operation;
  - ii. Statement of significant related party transactions(as defined by the Audit Committee), submitted by management;
  - iii. Management letter/letters of internal control weakness issued by the Statutory Auditors;
  - iv. Internal audit reports relating to internal control weakness; and
  - v. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
  - vi. Statement of deviations:
    - a) Quarterly statement of deviation(s) including report of monitoring agency,

if applicable, submitted to stock exchange(s) in terms of Regulation 32 (1) of the Listing Regulations.

- b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32 (7) of the Listing Regulations.

The Audit Committee Meetings are also generally attended by the representatives of Statutory Auditors, Internal Auditors, the Managing Director (MD), the Chief Financial Officer, Head-Internal Audit and the Vice President-Accounts.

The Company Secretary functions as the Secretary of the Committee.

The Minutes of the Meetings of the Audit Committee are discussed and taken note of by the Board of Directors.

As per Regulation 18(1) (d) of the Listing Regulations, the Chairman of the Audit Committee shall be present at the Annual General Meeting (AGM) to answer shareholders' queries. Mr. Mahesh S. Gupta, the Chairman of the Audit Committee has attended the Annual General Meeting of the Company held on August 9, 2016 to answer the queries of the shareholders.

## (ii) Nomination and Remuneration Committee (NRC):

The Company through its Board of Directors has constituted Nomination and Remuneration Committee (hereinafter referred as "NRC") in terms of Regulation 19 (1) of the Listing Regulations. The terms of reference of NRC include the matters specified under Regulation 19 (4) the Listing Regulations as well as in Section 178 of the Act.

The Committee comprises of 3 (three) members, Mr. Mahesh S. Gupta; Mr. Paras K. Chowdhary and Mr. S. Doreswamy. Mr. Mahesh S. Gupta is the Chairman of the NRC, who is an Independent Director.

The Committee meets the criteria laid down in Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations.

During the financial year ended March 31, 2017, 4 (Four) meetings of the NRC were held on April 27, 2016; July 6, 2016; December 16, 2016 and March 22, 2017.

## CORPORATE GOVERNANCE REPORT

### Attendance at NRC Meetings:

Name of the Member	No. of Meetings attended
Mr. Mahesh S. Gupta	4
Mr. S. Doreswamy	4
Mr. Paras K. Chowdhary	4

The terms of reference of the NRC, *inter alia*, include the following:

- a) To lay down criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees.
- b) To formulate a criteria for evaluation of performance of Independent Directors and the Board of Directors.
- c) To devise a policy on diversity of Board of Directors.
- d) To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board of Directors their appointment and removal.
- e) To decide whether to extend or continue the term of appointment of the Independent Director on the basis of the report of performance evaluation of Independent Directors.
- f) To recommend to the Board the appointment and removal of the Directors, including Independent Directors.
- g) To recommend to the Board a policy relating to the remuneration for Directors, including Managing Director(s) (MD) and Whole-time Director(s) (WTD), Key Managerial Personnel (KMP) and other employees. While formulating the policy, the NRC shall ensure that:
  - (i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
  - (ii) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

(iii) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

- h) To recommend remuneration to be paid to a Director for any service rendered by him to the Company which are of a professional nature and provide an opinion, whether such Director possess the requisite qualification for the practice of such profession.
- i) Carrying out functions as delegated by the Board of Directors from time to time.

As per Regulation 19(3) of the Listing Regulations, the Chairman of the NRC shall be present at the Annual General Meeting (AGM) to answer shareholders' queries. Mr. Mahesh S. Gupta, the Chairman of the NRC has attended the Annual General Meeting of the Company held on August 9, 2016, to answer the queries of the shareholders.

The Company Secretary functions as the Secretary of the Committee.

The NRC reviews the remuneration payable to the MD/ WTD/KMP and Commission payable to the Non-Executive Directors and recommends it to the Board.

The NRC has formulated a Policy on Appointment, Training, Evaluation and Remuneration of Directors and Senior Management Personnel (SMP).

### Training and Evaluation:

- (i) The NRC carries out the evaluation of performance of every Director as under :
  - (a) Before re-appointment of Executive and Non-Executive Directors (NED);
  - (b) At the time of recommendation of any remuneration payable to Executive and Non-Executive Directors or changes therein;
  - (c) At such other time, as the applicable laws or the circumstances may require.
- (ii) In addition, the Board of Directors have also evaluated the performance of the individual directors including

Independent Directors, its own performance and also of its Committees. For this purpose, a questionnaire *inter alia* covering the following parameters were circulated to NEDs and their feedback was obtained through an online platform by an Independent Agency.

- (a) Attendance at meetings of the Board and Committees thereof,
  - (b) Participation in Board meetings or Committee thereof,
  - (c) Contribution to strategic decision making,
  - (d) Sharing of domain knowledge and experience to bear on the critical areas of performance of the organization and keeps updated in the areas of expertise,
  - (e) Communication and contribution in the discussions in a positive and constructive manner,
  - (f) Review of risk assessment and risk mitigation,
  - (g) Review of financial statements, business performance,
  - (h) Contribution to the enhancement of brand image of the Company etc.
- (iii) The performance of Executive Directors i.e. Managing Director/Whole-time Director, are evaluated, in addition to aforesaid parameters, taking into account the appropriate benchmarks set as per industry standards, the performance of the Directors and also of the Company.

#### **Remuneration policy for SMPs and KMPs (other than MD/WTD):**

In determining the remuneration packages for SMPs and KMPs, the Committee shall ensure:

- (i) Remuneration shall be competitive and comprising of both fixed and variable components, performance incentives and other benefits such as retiral benefits, health care insurance and hospitalisation benefits, telephone reimbursement etc.,
- (ii) Performance of the individual and also of the Company and given due consideration to industry practices/trends,

- (iii) The benchmark of international and domestic companies of similar in size and complexity to the Company,
- (iv) Relevant qualification and experience of the individual as well as the prevailing market conditions,
- (v) Remuneration is attractive to high-flier executives in a competitive global market and commensurate with the roles and responsibilities.

The remuneration to the KMPs at the time of his/her appointment shall be recommended by the NRC and approved by the Board. The Remuneration of the SMPs at the time of his/her appointment shall be approved by the MD upon recommendation of the Human Resource Department (HRD). The remuneration may be a combination of fixed and variable pay considering relevant qualification, experience and performance of the individual as well as the prevailing market conditions.

Remuneration shall be evaluated annually and annual increase shall be decided considering the performance of the individual and also of the Company. Industry/trends shall also given due consideration. Annual increments/subsequent variation in remuneration to the KMPs shall be approved by the NRC/ Board of Directors. Annual increments/subsequent variation in remuneration of SMPs shall be approved by the MD upon recommendation of the HRD.

The NRC may consider grant of Stock Options to KMPs and SMPs pursuant to any Stock Option Plan adopted by the Company, if any.

#### **Remuneration policy for MD/WTD:**

- (i) Remuneration to the MD and WTD shall be proposed by the NRC and subsequently approved by the Board of Directors and the shareholders of the Company, whenever required.
- (ii) Annual increments/subsequent variation in remuneration to the MD and WTD shall be approved by the NRC/Board of Directors, within the overall limits approved by the shareholders of the Company.
- (iii) Remuneration shall be evaluated annually against performance and a benchmark of International and domestic companies, which are similar in size and complexity.
- (iv) Total remuneration for the MD and WTD shall be comprised of the following:

## CORPORATE GOVERNANCE REPORT

- (a) Salary (both fixed and variable);
- (b) Perquisites like house rent allowance, domiciliary medical expenses and club memberships etc.;
- (c) Retrial benefits in accordance with applicable laws and policies of the Company;
- (d) Performance Bonus linked to the individual performance vis-à-vis performance of the Company;
- (e) Total remuneration payable to MD/WTD shall be within the limit in accordance with Section 198 of the Companies Act, 2013.

### Remuneration policy for Non-Executive Directors (NEDs):

- (i) NEDs shall be entitled to such sitting fees as may be decided by the Board of Directors from time to time for attending the meeting of the Board of Directors and of the Committee thereof.
- (ii) NEDs shall also be entitled for payment of commission as may be recommended by NRC and subsequently approved by the Board of Directors upto the limits permitted in Section 197 of the Companies Act, 2013 and wherever required approval of the shareholders of the Company shall be obtained from time to time and shall be paid on pro-rata basis.
- (iii) Independent Directors shall not be eligible for any Stock Options, pursuant to any Stock Option Plan adopted by the Company.
- (iv) The NEDs shall be eligible for remuneration of such professional services rendered if in the opinion of the NRC, the NED possesses the requisite qualification for rendering such professional services.

The Company has Remuneration Policy for Non-Executive Directors (NEDs) and the same has been displayed on the Company's website: [www.ceat.com](http://www.ceat.com) at the link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx).

### Directors Remuneration

Details of remunerations paid to the Directors are given in MGT-9 Annexure D to Board's report.

The remuneration paid to the Managing Director and the Whole-time Director was duly recommended by the NRC and approved by the Board of Directors. The members have also

accorded their approval to the said remuneration vide a special resolution passed at the Annual General Meeting on August 10, 2012 for Mr. Anant Vardhan Goenka and August 22, 2013 for Mr. Arnab Banerjee.

### Shareholding of Directors

Name of Director	No. of Equity Shares held
Mr. H.V. Goenka	1,33,932 Equity Shares
Mr. Paras K. Chowdhary	3,000 Equity Shares
Mr. Anant Vardhan Goenka	14,185 Equity Shares
Mr. Arnab Banerjee	7 Equity Shares

### Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 25 (4) of the Listing Regulations, the Board of Directors has carried out the annual performance evaluation of its own performance, individual Directors and working of its Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Corporate Social Responsibility Committee, Special Investment/Project Committee, and Finance and Banking Committee. The Company had appointed HR Craft Business Consulting Private Limited (HR Craft) for carrying out the said evaluation process in a transparent manner by using the questionnaire considered/approved by the Board of Directors after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations, compliance and governance.

The Securities and Exchange Board of India (SEBI) vide circular SEBI/HO/CFD/CMD/CIR/2017/004 dated January 5, 2017, issued a Guidance Note on Board Evaluation about various aspects involved in the Board Evaluation process to benefit all stakeholders.

While evaluating the performance, the above guidance note was considered and the performance of individual Directors including the Chairman of the Board was evaluated on parameters such as active and consistent participation in the meeting, adequate preparation thereof, level of engagement and contribution to Company's Strategy, independence of judgement, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Directors being evaluated. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

**Familiarization Programme for Independent Directors:**

The Company has prepared familiarization programme for its Independent Directors on their roles, rights and responsibilities in the Company, nature of its industry and the business model of the Company etc. and the same was approved by the Board of Directors at their meeting held on February 5, 2015.

The said programme has been uploaded on the Company's website: [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx).

**ii) Stakeholders' Relationship Committee (SRC):**

The Company has formed a Stakeholders' Relationship Committee ("SRC") in compliance with Regulation 20 of the Listing Regulations and Section 178 of Companies Act, 2013. The Committee reviews and deals with complaints and queries received from the investors. It also reviews and deals with responses to letters received from the Ministry of Corporate Affairs, the Stock Exchanges and Securities and Exchange Board of India (SEBI).

SRC comprises of 3 (three) members, Mr. S. Doreswamy; Mr. Mahesh S. Gupta and Mr. Paras K. Chowdhary. Mr. S. Doreswamy is the Chairman of the Committee.

The Company Secretary functions as the Secretary of the Committee.

During the financial year ended March 31, 2017, 4 (four) meetings of the Stakeholders' Relationship Committee were held on April 27, 2016; July 28, 2016; November 7, 2016 and February 7, 2017.

**Attendance at SRC Meetings:**

Name of the Member	No. of Meetings attended
Mr. S. Doreswamy	4
Mr. Mahesh S. Gupta	4
Mr. Paras K. Chowdhary	4

The status of the complaints received from investors is as follows:

**Shareholders/Investors Complaints**

Particulars of Complaints	Complaint Nos.
Complaints as on April 1, 2016	4
Complaints received during FY 2016-17	16
Complaints disposed off during FY 2016-17	19
Complaints not solved to the satisfaction of shareholders during FY 2016-17*	-
Complaints remaining unresolved as on March 31, 2017	01

\*Out of the resolved complaints, the Company has not received any feedback from shareholders regarding dissatisfaction on resolution of their complaint.

The Board has designated Ms. Shruti Joshi, Company Secretary, as the "Compliance Officer".

**iii) Risk Management Committee (RMC):**

The Board of Directors of the Company at its meeting held on February 5, 2015 has constituted the Risk Management Committee (RMC) in compliance with Regulation 21 of the Listing Regulations comprising of Mr. Mahesh S. Gupta, Mr. S. Doreswamy, Mr. Hari L. Mundra and Mr Vinay Bansal as its members. Mr. Mahesh S. Gupta is the Chairman of the Committee.

During the financial year ended March 31, 2017, 2 (two) meetings of the RMC were held on July 28, 2016 and February 6, 2017.

**Attendance at Risk Management Committee Meetings:**

Name of the Member	No. of Meetings attended
Mr. Mahesh S. Gupta	2
Mr. S. Doreswamy	2
Mr. Hari L. Mundra	2
Mr. Vinay Bansal	2

The scope/duties/functions of the RMC, *inter alia*, include the following:

- To identify and review the actual risks and the control deficiencies in the organization.
- To assist the Board of Directors in defining the risk appetite of the Company.
- Framing of Risk Management and Mitigation Plan *inter alia* to ensure that risk is not higher than the risk appetite determined by the Board of Directors.
- Implementing the risk management and mitigation plan approved by the Board through periodical reviews.
- Monitor the effectiveness of risk management and mitigation plan.
- Ensure that infrastructure, resources and systems are in place for risk management and mitigation and ensure their adequacy to maintain a satisfactory level of risk management discipline.



## CORPORATE GOVERNANCE REPORT

- vii. Review the strategies, policies, frameworks, models and procedures for identification, measurement, reporting and mitigation of risks.

Business Risk Evaluation and Management is an ongoing process within the organization to identify, monitor and minimize risks associated with the business.

#### iv) Finance and Banking Committee (Non-Mandatory Committee):

The Board of Directors of the Company has constituted this Committee to delegate some of its powers, mentioned under terms of reference below.

The Finance and Banking Committee comprises of 3 (three) members, Mr. Anant Vardhan Goenka; Mr. Arnab Banerjee and Mr. Paras K. Chowdhary. Mr. Anant Vardhan Goenka is the Chairman of the Committee.

During the financial year ended March 31, 2017, 8 (eight) meetings of the Finance and Banking Committee were held on April 27, 2016; June 6, 2016; July 1, 2016; August 19, 2016; October 5, 2016; November 7, 2016; December 16, 2016; and February 7, 2017.

#### Attendance at Finance and Banking Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. Anant Vardhan Goenka	8
Mr. Arnab Banerjee	7
Mr. Paras K. Chowdhary	5

The terms of reference of the Finance and Banking Committee, *inter alia*, include the following:

- a) To approve fresh borrowing(s) to be obtained by the Company, including term loan and working capital limits from the Banks/Financial Institutions and also borrowings through any other financial instruments such as issue of commercial papers, non-convertible debentures and other financial instruments etc. from any other sources, provided that such fresh borrowings shall be limited to such an amount which along with the net outstanding of the existing borrowings from all sources (both short term and long term), as aforesaid, shall not exceed ₹ 40,00,00,00,000 (Rupees Four Thousand Crores only) at any point of time, subject to the prior approval of the shareholders, whenever required.

- b) To approve the documents; such as Loan Agreements, Deed of Hypothecation, Agreements for security creation, and other Deeds, Indemnities, Undertakings, letters, writings and any other document required to be executed on behalf of the Company; for the purposes mentioned at (a) above and also compliance of the terms and conditions so approved by the Committee while approving the borrowings referred to in (a) above.

- c) To authorise the Company's officials to execute the documents mentioned at (b) above.

- d) To approve investment of surplus generated from operations up to a total limit of ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only) in short term and long term securities in the debt segment such as units of mutual funds, fixed deposits of scheduled banks, bonds, debentures, debt market linked debentures, debt instruments of public financial institutions, instruments of Central or State Governments or Public Financial Institutions etc. with the sub-limit of upto ₹ 2,00,00,00,000 (Rupees Two Hundred Crores only) for investment in long term securities in the debt segment having maximum tenor of 36 months.

- e) To authorize the officials of the Company to sign any bills of exchange or hundis that may be required for any temporary borrowing.

- f) To review the Foreign Exchange (Forex) Policy from time to time and approve any modification(s) therein. For this purpose, to approve:

- (i) use of generic and structured derivatives products, as may be necessary in the interest of the Company and also,
- (ii) changes in signatories for executing the Forex transactions, both for hedging the Company's forex exposures viz. structured and generic derivatives products, agreements/documents etc. from time to time within the ambit of the said Forex Policy/ RBI guidelines.

- g) To authorize opening of bank account(s) with any bank and to close any existing bank account(s).

- h) To authorize opening of Demat Account(s) with any Depository Participant and close any existing Demat Account(s) with any Depository Participant.

- i) To authorize change in authorised signatories of the existing bank accounts and demat accounts and delegate this power to Key Managerial Personnel, if required.
- j) To authorize the Company's officials to execute, sign, submit and file any applications, affidavits, undertakings or any other writings before any Magistrate, Court of Law, Tribunal, Government Authorities and judicial/non-judicial Bodies and any other authority and also to represent the Company before the said Magistrate, Court of Law, Tribunal, Government Authorities Judicial/Non-Judicial bodies and other Authority.
- k) To consider and grant Power of Attorney or authorizations in favour of the Company's officials or any other person for management of its day to day affairs.
- l) To approve execution of any agreements, undertakings, letters, writings, deeds, contracts and any document, (other than that mentioned at (b) above) which may be required to be executed by the Company from time to time for management of its day to day affairs.
- m) To approve affixation of the Common Seal on any document required to be executed by the Company for management of its day to day affairs.
- n) To grant such other authorisations and approvals to any official of the Company or any other person on behalf of the Board of Directors as may be required for day to day management of the Company's business.

The Company Secretary functions as the Secretary to the Committee.

**v) Corporate Social Responsibility (CSR) Committee:**

The Board of Directors has formed a committee on Corporate Social Responsibility (CSR) in accordance with Section 135 of Companies Act, 2013 ("the Act"). The CSR Committee comprises of 3 (three) members, Mr. Anant Vardhan Goenka, Mr. Hari L. Mundra and Mr. Vinay Bansal. Mr. Anant Vardhan Goenka is the Chairman of the Committee.

During the financial year ended March 31, 2017, 2 (two) meetings of the CSR Committee were held on April 27, 2016 and February 7, 2017.

**Attendance at Corporate Social Responsibility Committee Meetings:**

Name of the Member	No. of Meetings attended
Mr. Anant Vardhan Goenka	2
Mr. Hari L. Mundra	1
Mr. Vinay Bansal	2

A brief on the CSR activities undertaken by the Company during the year forms part of the Board's Report.

The terms of reference of the Committee of the CSR include the following:

- a. To formulate and recommend to the Board the Corporate Social Responsibility Policy (CSR Policy) as specified in Schedule VII of the Act read with Companies (Corporate Social Responsibility) Rules, 2014.
- b. To recommend to the Board the amount of expenditure to be incurred on the activities undertaken by the Company as per the CSR Policy within the overall limit specified in Section 135 (5) of the Act, as amended from time to time, but not less than 2% of the average net profits of the Company during the (3) three immediately preceding financial years, (calculated pursuant to Section 198 of the Act) or any other sum, as may be prescribed under Section 135 of the Act from time to time.
- c. To monitor the CSR Policy of the Company from time to time.

The Company Secretary functions as the Secretary to the Committee.

**vi) Special Investment/Project Committee (Non-Mandatory Committee)**

The Special Investment/Project Committee ("SIP") comprises of 3 (three) members, Mr. H. V. Goenka, Mr. Anant Vardhan Goenka and Mr. Paras K. Chowdhary. Mr. H. V. Goenka is the Chairman of the Committee. No fees are paid to members for attending the meetings of the SIP.

No meeting of Special Investment/Project Committee was held during the year under review.

The terms of reference of the Committee, *inter alia*, includes the following:

- 1. Evaluate the viability report(s) presented on the overseas projects and approve the same.

## CORPORATE GOVERNANCE REPORT

2. Decide the location and to approve the initial capacity and cost of project.
3. Approve funding options of the projects, including the option of forming a joint venture.
4. Approve initial investment in the approved overseas project.

The Company Secretary functions as the Secretary to the Committee.

- a) Reviewed the performance of Non-Independent Directors and the Board as a whole;
- b) Reviewed the performance of the Chairperson taking into account the views of Executive Directors and Non-Executive Directors;
- c) Assessed the quality, quantity and timelines of flow of information between the Company Management and the Board.

At the meeting held on March 22, 2017, 7 (seven) Independent Directors were present and 1 director attended the meeting through video conferencing.

### IV. INDEPENDENT DIRECTORS MEETING:

As per Regulation 25(3) of the Listing Regulations as well as pursuant to Section 149(8) of the Companies Act, 2013 Act read with Schedule IV and in accordance with the Policy on Appointment, Training, Evaluation and Remuneration, the Independent Directors have at their meeting held on March 22, 2017:

### V. DETAILS ON GENERAL BODY MEETINGS

The details of the last 3 (three) Annual General Meetings (AGM) are as follows:

Meeting	Day, Date	Time	Venue
55th AGM	Friday, September 26, 2014	03.30 p.m.	P. L. Deshpande Maharashtra Kala Academy, Mumbai
56th AGM	Wednesday, August 12, 2015	03.00 p.m.	P. L. Deshpande Maharashtra Kala Academy, Mumbai
57th AGM	Tuesday, August 9, 2016	03:00 p.m.	P. L. Deshpande Maharashtra Kala Academy, Mumbai

Special Resolutions passed at the last 3 (three) Annual General Meetings:-

Date of AGM	Description of Special Resolution
55th AGM Friday, September 26, 2014	<ul style="list-style-type: none"> <li>• Approval under Section 180(1) (a) of the Companies Act 2013 to create mortgage and/or hypothecation, on any of movable and/ or immovable properties wherever situated, whether present or future, on the whole or substantially the whole of any one of the Company's undertaking or all of the Company's undertakings in favour of any Bank(s), or Financial Institution(s) or body(ies) corporate or persons or trustees for the holders of debenture(s)/ bond(s), for securing any loan(s), borrowing(s) including working capital facilities whether fund based or non fund based, foreign currency loan(s), debenture(s), bond(s) or other financial instrument(s) availed or as may be availed from time to time together with interest, costs, charges, expenses and any other monies payable thereon.</li> <li>• Approval of borrowings under Section 180(1) (c) of the Companies Act, 2013 for borrowing not exceeding the limit of ₹ 10,00,00,00,000 (Rupees One Thousand Crores only) in excess of the aggregate of the paid-up capital of the Company and its free reserves, from time to time."</li> <li>• Acceptance of Deposits under Section 73 and 76 of the Companies Act, 2013.</li> <li>• Remuneration to Non- Executive Directors under Section 197 and 198 of the Companies Act, 2013.</li> </ul>
	<ul style="list-style-type: none"> <li>• To raise the funds through capital infusion of up to ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only) by way of issue, offer and allotment of equity shares, American Depository Receipts, Global Depository Receipts, Foreign Currency Convertible Bonds, convertible or non-convertible debentures and such other securities including by way of Qualified Institutions Placement pursuant to Section 62 of Companies Act, 2013 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009.</li> </ul>

Date of AGM	Description of Special Resolution
56th AGM Wednesday, August 12, 2015	<ul style="list-style-type: none"> <li>Adoption of new set of Articles as contained in Articles of Association in substitution of existing Articles of Association of the Company pursuant to the provisions of Section 14 of the Companies Act, 2013.</li> </ul>
57th AGM Tuesday, August 9, 2016	<ul style="list-style-type: none"> <li>Approval for making offer(s) or invitation(s) to subscribe secured/unsecured, non-convertible debentures/bonds or such other debt securities ("debt securities") through Private Placement basis in one or more series/tranches not exceeding ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only).</li> </ul>

### Postal Ballot

During the year under review, the Company has not passed any resolution through Postal Ballot in accordance to the procedure prescribed in Section 110 of the Companies Act, 2013 Act read with the Companies (Management and Administration) Rules, 2014.

### Procedure of Postal Ballot:

- Appointment of Scrutinizer who is not in the employment of the Company.
- Notice of postal ballot along with the explanatory statement to shareholders by following modes:
  - By registered post or speed post or,
  - Through electronic means like registered email id or,
  - Through courier service for facilitating the communication of the assent or dissent of the shareholder to the resolution within period of (30) thirty days.
- Advertisement in one English newspaper and in one vernacular language newspaper in the principal vernacular language of the district in which the registered office of the company is situated.
- Notice should also be placed on the website of the Company.
- Declaration of results by the Scrutinizer after following due process.

### Proposed Postal Ballot:

The Company does not have any plans to pass any resolution through postal ballot.

## VI. DISCLOSURES

### 1. Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large

There were no material and/or significant related party transactions during FY 2016-17 that were prejudicial to the interest of the Company.

### 2. Whistle Blower Policy (Vigil Mechanism)

The Company has adopted a "Whistle Blower Policy" ("the Policy") for its employees/Directors to report to the Chairperson of the Audit Committee instances of unethical behaviour, actual or suspected fraud or violation of the RPG Code of Corporate Governance and Ethics Policy adopted by the Company and the Policy is displayed on the website of the company [www.ceat.com](http://www.ceat.com) at the link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx). No personnel/employee of the Company is denied access to the Audit Committee for reporting instances of unethical behaviour or suspected fraud or violation of the policy. During the year under review, 1 (one) complaint was received and has been resolved.

### 3. Disclosure of Related Party Transactions

The Company follows the Policy on Related Party Transactions in disclosing the related party transactions to the Audit Committee:

- A statement in summary form of transactions with related parties in the ordinary course of business and on arms' length basis is placed before the Audit Committee.
- The transactions entered into with Related Parties as defined under the Act and Regulation 23 of the Listing Regulations during the financial year which were in the ordinary course of business and on an arms' length pricing basis are placed before the Audit Committee and those related party transactions which were in the ordinary course of business but not on arms' length pricing basis are placed before the Board.
- There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company.

## CORPORATE GOVERNANCE REPORT

- d) Suitable disclosure as required by the Indian Accounting Standards (Ind AS 24) has been made in the notes to the Financial Statements.
- e) Transactions with related parties, if any, which are:
  - i. not in the normal course of business;
  - ii. not at arms' length basis;
  - iii. exceeding the threshold limits prescribed under the Act and the Rules made thereunder or the Listing Regulations are placed before the Audit Committee, Board and Members for their approval.

The Company has formulated a Policy on Related Party Transactions and the same has been displayed on the Company's website [www.ceat.com](http://www.ceat.com) at the link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx).

#### 4. Disclosure of Accounting Treatment

The Company has followed the Indian Accounting Standards specified under Section 133 of the Company Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent applicable, in the preparation of the financial statements.

#### 5. Disclosure of Risk Management

The Company adopted Indian Accounting Standards ("Ind AS") and accordingly the financial results for all periods presented have been prepared in accordance with the recognition and measurement principles laid down in the Ind AS 34 Interim Financial Reporting prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and the other accounting principles generally accepted in India. The date of transition to Ind AS is April 1, 2015. There is a possibility that these quarterly financial results may require adjustment before constituting the final Ind AS financial statements as of and for the year ending March 31, 2017 due to changes in financial reporting requirements arising from new or revised standards or interpretations issued by Ministry of Corporate Affairs or changes in the use of one or more optional exemptions from full retrospective application of certain Ind AS as permitted under Ind AS 101.

#### 6. Offer and Issue of Secured Redeemable Non-Convertible Debentures

During FY 2015-16, the Company had, pursuant to the special resolution under Sections 42 and 71 of the Act passed by the members on July 9, 2015 through postal ballot, approved the offer, issue of Non-Convertible Debentures on private placement basis for an aggregate amount upto ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only) in one or more tranches. Further, the Company on July 31, 2015 allotted 2,000 Secured Redeemable Non-Convertible Debentures (NCDs) of ₹ 10,00,000 (Rupees Ten Lacs only) for cash at par aggregating to ₹ 2,00,00,00,000 (Rupees Two Hundred Crores only) on private placement basis. The said NCDs are listed on BSE Limited. The proceeds of the same had been utilised for Company's various expansion projects and also for the augmentation of the long term working capital required for business growth.

#### 7. Details of non-compliance by the Company, Penalties, Strictures imposed on the Company by Stock Exchange(s) or Securities and Exchange Board of India (SEBI) or any other statutory authority or any matters related to Capital Markets during the last 3 (three) years

The Company has complied with all the requirements of the Stock Exchanges, SEBI and Statutory Authorities on all matters related to the capital markets during the last 3 (three) years. There are no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authorities relating to the above.

There were no instances of non-compliance of any matter related to the capital market during the last 3 (three) years.

#### 8. Details of compliance with mandatory requirement.

Regulation 34 (3) read with schedule V of the Listing Regulations mandates the Company to obtain a certificate from either the Auditors or Practicing Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated in the said Regulation and annex the certificate so obtained with the Boards' Report. The Company has obtained a certificate from its Statutory Auditors to this effect and the same is annexed hereto.



**9. Adoption of the non-mandatory requirements**

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 states that the non-mandatory requirements may be implemented as per the discretion of the Company. The disclosures of compliance with other non-mandatory requirements and adoption/non-adoption of the non-mandatory requirements shall be need based.

**10. Compliance with Discretionary Requirements**

- There are no audit qualifications for the Standalone and Consolidated Financial Statement for the year ended March 31, 2017.
- The Position of Chairman of the Board of Directors and Managing Director are separate.
- Internal Auditor reports to the Audit Committee directly in all the functional matters.

**11. Material Subsidiary**

The Company does not have any material subsidiary whose income or net worth exceeds 20% of the consolidated income and net worth respectively of the holding company in immediately preceding accounting year. A policy on subsidiaries has been formulated by the Company and posted on website of the Company at the link [http://www.ceat.com/Investors\\_intimation.aspx](http://www.ceat.com/Investors_intimation.aspx).

**VII. MEANS OF COMMUNICATION**

Quarterly Results are announced within 45 (forty-five) days from the end of the quarter and the annual audited results are announced within 60 (sixty) days from the end of the financial year as per the Regulation 47 of the Listing Regulations. The aforesaid financial results are announced to Stock Exchanges within 30 (thirty) minutes from close of the Board meeting at which these were considered and approved. Quarterly Results of the Company are published in a major English Daily as well as in a Marathi Daily.

The Quarterly Results of the Company are normally published in the following newspapers:

- The Free Press Journal
- Navshakti
- The Economic Times
- Maharashtra Times

The Company sends investors presentations to the stock exchanges and these presentations are also available

on the website of the Company. The Annual Report of the Company, the Quarterly / Half yearly Results and the Audited Financial Statements, the press releases of the Company, the Investors Presentations, any updates are also placed on the Company's Website: [www.ceat.com](http://www.ceat.com).

The Company also provides information to the Stock Exchanges where the shares of the Company are listed as per the Listing Regulations.

The Company has provided an email address on its website 'investors@ceat.in' whereby investors can directly contact the Company.

**VIII. GENERAL SHAREHOLDER INFORMATION****AGM: Date, Time and Venue**

As indicated in the notice accompanying this Annual Report the Fifty-Eighth Annual General Meeting of the Company will be held on Tuesday, August 8, 2017 at 3.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025.

**Financial Year**

The Company follows April 1 to March 31 as the financial year.

**Date of Book Closure**

August 1, 2017 to August 8, 2017 (both days inclusive).

**Dividend Payment Date**

On or before September 7, 2017.

**Listing on Stock Exchanges**

The Equity shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited. The Listing fees have been paid to both the Stock Exchanges for FY 2016-17.

**Stock Code****BSE Limited - 500878**

Address: Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.

**National Stock Exchange of India Limited - CEATLTD**

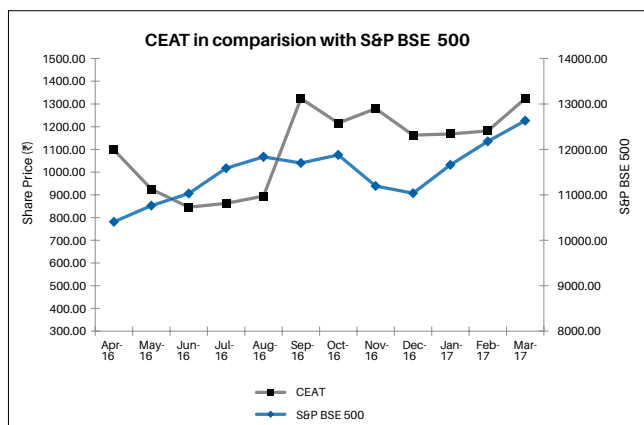
Address: Exchange Plaza, Bandra Kurla Complex, Bandra (East) 400 051.

**Market Price Data** for Equity shares of face value of 10/- each

# CORPORATE GOVERNANCE REPORT

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2016	1182.75	1040.00	1186.85	1043.10
May 2016	1121.00	893.25	1120.00	892.40
June 2016	930.00	731.20	928.80	730.00
July 2016	915.35	838.05	914.40	835.05
August 2016	930.00	835.85	930.80	834.65
September 2016	1331.90	886.15	1332.90	885.25
October 2016	1422.00	1186.00	1420.00	1185.20
November 2016	1369.00	1111.80	1370.00	1111.00
December 2016	1302.80	1060.30	1303.00	1060.10
January 2017	1246.50	1131.10	1245.55	1130.80
February 2017	1215.10	1070.55	1223.70	1071.05
March 2017	1300.00	1136.25	1343.35	1136.05

## Share Performance of the Company in comparison to S&P BSE 500



## Registrar and Transfer Agents

### [A] For equity shares:

The share management work, both physical and demat, is handled by the Registrar and Share Transfer Agent of the Company whose name and address is given below:

TSR Darashaw Limited  
6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011  
Email: csg-unit@tsrdarashaw.com  
Web: www.tsrdarashaw.com  
Tel.: 022-66568484; Fax: 022-66568494

### [B] For Privately placed Redeemable Non-Convertible Debentures:

TSR Darashaw Limited  
6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011  
Email: csg-unit@tsrdarashaw.com  
Web: www.tsrdarashaw.com  
Tel.: 022-66568484; Fax: 022-66568494

## Branch Offices:

### 1. Bangalore

TSR Darashaw Limited  
503, Barton Centre (5th Floor), 84, Mahatma Gandhi Road,  
Bangalore - 560 001  
Email: tsrdlbang@tsrdarashaw.com  
Tel: 080 - 25320321  
Fax: 080 - 25580019

### 2. Jamshedpur

TSR Darashaw Limited  
"E" Road, Northern Town, Bistupur, Jamshedpur - 831 001  
Email: tsrdljsr@tsrdarashaw.com  
Tel: 0657-2426616

### 3. Kolkata

TSR Darashaw Limited  
Tata Centre, 1st Floor, 43, J. L. Nehru Road, Kolkata 700 071  
Email: tsrdlcal@tsrdarashaw.com  
Tel: 033-22883087  
Fax: 033-22883062

### 4. New Delhi

TSR Darashaw Limited  
2/42, Ansari Road, 1st Floor Daryaganj,  
Sant Vihar, New Delhi - 110 002  
Email: tsrdldel@tsrdarashaw.com  
Tel: 011-23271805  
Fax: 011-23271802

## Agents:

Shah Consultancy Services Limited  
3, Sumatinath Complex, 2nd Dhal  
Pritam Nagar, Ellisbridge,  
Ahmedabad 380 006  
Email: shahconsultancy8154@gmail.com  
Telefax: 079-26576038

**[C] For Deposits**

Kisu Corporate Services Private Limited  
D- 28 - Mezzanine Floor Supariwala Estate,  
Prasad Chambers Compound  
Near Roxy Cinema Opera House, Mumbai 400004.  
Tel. No.: 022-49710146,  
Email ID: kisucorporate@gmail.com

**[D] Debenture Trustees**

Axis Trustee Services Limited  
Axis House, Ground Floor,  
Bombay Dyeing Mills Compound,  
Pandurang Budhkar Marg, Worli, Mumbai 400025.  
Tel: 022-62260074/75  
Fax: 022-43253000  
Email ID: debenturetrustee@axistrustee.com  
Website: www.axistrustee.com

**Share Transfer System**

All valid requests for transfer of equity shares in physical mode received for transfer at the office of the Registrar and Share Transfer Agents or at the Registered Office of the Company are processed and returned within a period of 15 (fifteen) days from the date of receipt. The Board of Directors have delegated the power of approval of share transfers to the Company Secretary.

Every effort is made to clear transmissions and split and consolidation requests within 21 (twenty-one) days.

**Distribution of shareholding as at March 31, 2017**

No. of Equity Shares hold	No. of Members		No. of shares		% of Equity Capital	
	Physical	Demat	Physical	Demat	Physical	Demat
1 to 500	20,258	38,493	5,29,125	21,26,579	1.31	5.26
501 to 1,000	75	656	51,140	4,82,704	0.13	1.19
1,001 to 2,000	35	297	48,689	4,28,588	0.12	1.06
2,001 to 3,000	10	87	25,400	2,18,233	0.06	0.54
3,001 to 4,000	2	43	6,900	1,54,099	0.02	0.38
4,001 to 5,000	1	28	4,530	1,26,507	0.01	0.31
5,001 to 10,000	2	58	16,657	4,15,601	0.04	1.03
Greater than 10,000	1	131	17,82,348	3,40,32,992	4.41	84.14
Total	20,384	39,793	24,64,789	3,79,85,303	6.09	93.91

**Dematerialisation of shares**

The Company has an arrangement with National Securities Depository Limited (NSDL) as well as Central Depository Services (India) Limited (CDSL) for dematerialisation of shares with ISIN No. INE482A01020 for both NSDL and CDSL.

93.91% of equity share capital corresponding to 3,79,85,303 equity shares are held in dematerialised form as of March 31, 2017.

**Categories of Shareholding as of March 31, 2017**

Category	No. of Shares	Percentage (%)
<b>Promoter</b>		
Promoters Holdings (Indian and Foreign)	2,05,33,744	50.77
<b>Public</b>		
Mutual Funds	19,93,157	4.93
Banks, Financial Institutions, Insurance Companies and Others	10,54,348	2.61
Foreign Institutional Investors	1,10,94,323	27.43
Non Resident Indians	1,62,587	0.40
Corporate Bodies, Indian Public and Others	56,11,933	13.86
<b>Total</b>	<b>4,04,50,092</b>	<b>100.00</b>

## CORPORATE GOVERNANCE REPORT

### Outstanding GDRs/ADRs/Warrants/Any other Convertible Instruments:

The Company does not have any outstanding GDRs/ ADRs/ Warrants/any other Convertible Instruments as on March 31, 2017.

### Commodity Price Risk or Foreign Exchange Risk and hedging activities:

Volatility in commodity prices are managed by combining a robust price forecast mechanism with a buying model comprising of spot buying, forward buying and strategic long term contracts. Inventory levels are maintained in alignment to this. Since a significant quantum of raw materials is procured from international sources, appropriate hedging mechanisms are in place to insulate forex fluctuations.

The Company manages the volatility in the foreign currency prices through hedging mechanisms. The exposure risk

arises primarily due to the import and export activities of the Company as well as short term and long term borrowings in foreign currency. The Company has put in place a Policy for Foreign Exchange and interest Risk Management which is duly approved by the Board of Directors of the Company. The Foreign Exchange Risk Management programme of the Company is carried out as per the said Policy and the Company uses forward contracts, derivatives, structured derivatives and swaps as hedging instruments. The Company is suitably insulated against the risk arising out of foreign currency fluctuations through appropriate hedging mechanisms and the same is monitored by the Board of Directors on a timely basis. The Company is in fully compliance with the applicable rules, regulations and guidelines, prescribed by the Reserve Bank of India, from time to time in this behalf.

### Equity shares in CEAT Limited –Unclaimed Securities Suspense Account:

Details with respect to the Shares lying in the Suspense Account are as under:

Particulars	Number of Members	Number of Shares
Aggregate number of shareholders and the outstanding shares lying in the suspense account as on April 1, 2016	4,184	1,37,929
Number of the shareholders who approached the Company for transfer of the shares from suspense account during the FY 2016-17	12	465
Shareholders to whom shares were transferred from the suspense account during the year	12	465
Aggregate number of shareholders and the outstanding shares lying in the suspense account as on March 31, 2017	4,677	1,37,464

The voting rights on the equity shares lying in the Suspense Account as on March 31, 2017 shall remain frozen till the rightful owner of such shares claim the shares.

### Plant Locations

**Mumbai Plant :** Village Road, Bhandup Mumbai 400 078.

**Nashik Plant :** 82, MIDC Industrial Estate Satpur, Nashik 422 007.

**Halol, Gujarat Plant :** Village Gate Muvala, Halol, Panchmahal 389 350.

**Nagpur Plant :** Plot No.SZ-39, Butibori MIDC, Nagpur 441 108.

### National Electronic Clearing Service (NECS) Facility

With respect to payment of dividend, the Company provides the facility of NECS to members residing in the cities where such facility is available. In order to avoid the risk of loss/interception of Dividend Warrants in postal transit and/or fraudulent

encashment of Dividend Warrants, members are requested to avail of facility whereby the dividends will be directly credited in electronic form to their respective bank accounts. This will ensure speedier credit of dividend and the Company will duly inform the concerned members when the credits are passed to their respective bank accounts. The requisite application form can be obtained from the office of TSR Darashaw Limited, the Registrar and Share Transfer Agents, of the Company.

The Company proposes to credit dividend to the member's bank account directly through NECS where such facility is available in case of members holding shares in demat account and who have furnished their MICR Code to their Depository Participant (DP).

Members located in places where NECS facility is not available, may kindly submit their bank details to enable the Registrars to incorporate the same on the Dividend Warrants, in order to avoid fraudulent encashment of the Dividend Warrants.

**CEO & CFO Certification**

The CEO i.e. the Managing Director and the Chief Financial Officer (CFO) have issued a certificate pursuant to the provisions of Regulation 17 (8) of the Listing Regulations certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company's affairs.

**Code of Conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company, which is posted on the Company's website [www.ceat.com](http://www.ceat.com) at the link [http://www.ceat.com/Investor\\_code\\_of\\_conduct.aspx](http://www.ceat.com/Investor_code_of_conduct.aspx).

All Board Members and Senior Management Personnel have affirmed compliance with the Code for the financial year ended March 31, 2017. A declaration to this effect signed by the Managing Director forms part of this Report.

**Prevention of Insider Trading**

The Company has formulated a Code of Fair Disclosure and Conduct (For Regulating, Monitoring and Reporting of Trading by Insiders) ('Code') in accordance with provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 with a view to regulate trading in securities by the Directors and Designated Employees of the Company.

The Company Secretary as the Compliance Officer of the Company is responsible for complying with the procedures, monitoring, adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board.

The Code requires pre-clearance for dealing in the Company's shares and prohibits purchase and/or sale of the Company's shares by the Directors and Designated Employees while in possession of unpublished price sensitive information in relation to the Company.

**Compliance Officer**

Ms. Shruti Joshi  
Company Secretary  
CEAT Limited  
CIN: L25100MH1958PLC011041  
463, Dr. Annie Besant Road, Worli, Mumbai 400 030  
Tel: 91-22-24930621  
Fax: 91-22- 25297423  
Email: [investors@ceat.in](mailto:investors@ceat.in)

**Declaration**

All the Members of the Board and the Senior Management Personnel of the Company have, for the year ended March 31, 2017, affirmed compliance with the Code of Conduct laid down by the Board of Directors in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For **CEAT Limited**

Place: Mumbai  
Date: April 28, 2017

**Anant Vardhan Goenka**  
Managing Director

Identified as having been approved by the  
Board of Directors of CEAT Limited  
**Shruti Joshi**  
Company Secretary

Place: Mumbai  
Date: April 28, 2017



## CORPORATE GOVERNANCE REPORT

### Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members of CEAT Limited  
463, Dr. Annie Besant Road,  
Worli, Mumbai – 400 030

1. The accompanying Corporate Governance Report prepared by CEAT Limited (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended March 31, 2017. This report is required by the Company for annual submission to the Stock exchange and to be sent to the Shareholders of the Company.

#### Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

#### Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of key procedures performed include:

- i. Reading and understanding of the information prepared by the Company and included in its Corporate Governance Report;
- ii. Obtained and verified that the composition of the Board of Directors as regards executive and non-executive directors has been met throughout the year;
- iii. Obtained and read the Directors Register as on March 31, 2017 and verified that at least one women director was on the Board during the year;
- iv. Obtained and read minutes of meetings held during the year of the Board of Directors, and committees including Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk Management Committee, Finance and Banking Committee, Corporate Social Responsibility Committee, and also minutes of the general meetings;
- v. Obtained necessary representations and declarations from directors of the Company including the independent directors; and
- vi. Performed necessary inquiries with the management and also obtained necessary specific representations from management.

The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

### Opinion

8. Based on the procedures performed by us as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable as at March 31, 2017, referred to in paragraph 1 above.

### Other matters and Restriction on Use

9. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
10. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to Corporate Governance Report accompanied with by a report thereon from the statutory

auditors and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm registration Number: 324982E/E300003

per **Vinayak Pujare**

Partner

Membership Number:101143

Place of Signature: Mumbai

Date: April 28, 2017

# BUSINESS RESPONSIBILITY REPORT

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Identity Number (CIN) of the Company:	L25100MH1958PLC011041
2. Corporate Name of the Company:	CEAT Limited
3. Registered address:	463, Dr. Annie Besant Road, Worli, Mumbai-400 030
4. Website:	www.ceat.com
5. E-mail id:	investors@ceat.in
6. Financial Year reported:	2016-17
7. Sector(s) that the Company is engaged in (industrial activity code-wise):	22111- Manufacture of rubber tyres and tubes for motor vehicles, motorcycles, scooters, three-wheelers, tractors
8. List three key products/services that the Company manufactures/provides (as in balance sheet):	Tyres, tubes and flaps
9. Total number of locations where business activity is undertaken by the Company	Registered Office: 463, Dr. Annie Besant Road, Worli, Mumbai-400 030
(a) Number of international locations (Provide details of major 5)	2 (two) Representative offices in Indonesia and United Arab Emirates
(b) Number of national locations	Factories: 4 (four) in number, at Mumbai, Nashik and Nagpur in the State of Maharashtra and at Halol in the state of Gujarat Regional Offices: 37 (thirty-seven) in number at Mumbai, Ahmedabad, Indore, Jabalpur, Pune, Rajkot, Kolkata, Bhubaneswar, Guwahati, Patna, Ranchi, New Delhi, Faridabad, Jaipur, Jalandhar, Kanpur, Meerut, Hyderabad, Bangalore, Belgaum, Ernakulam, Chennai, Coimbatore, Vijayawada, Jodhpur, Varanasi, Nagpur, Raipur, Asansol, Agra, Ludhiana, Udaipur, Aurangabad, Bhopal, Lucknow, Kolhapur and Surat.
10. Market Served by the Company- Local/State/National/ International	India The Company exports its products globally to approximately 100 countries.

## SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR)	40,45,00,920
2. Total Turnover (INR) (Consolidated)	63,97,12,94,062.97
3. Total profit after taxes (INR) (Consolidated)	3,59,23,17,052.27
4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)	2.81%
5. List of activities in which expenditure in 4 above has been incurred: (a). (b). (c).	Please refer to table below

Serial number	CSR Project/ Programme	Relevant Section of Schedule VII in which the Project is covered (Please refer note below)	Coverage of Project/ Programme	Amount Spent (₹ in lakhs)	Amount Spent Direct/ through implementing agency
1	Pehlay Akshar	(ii)	Local around factories	54.79	Implementing Agency*
2	Swayam	(ii), (iii)	PAN India	218.53	Implementing Agency*
3	Netranjali	(i), (x)	PAN India	314.83	Implementing Agency*
4	Jeevan	(i), (x)	Local around factories	87.44	Implementing Agency*
5	Saksham	(ii), (iii), (x)	Local around factories	21.25	Implementing Agency*
6	Sanjeevani	(ii), (x)	Local around factories	47.68	Implementing Agency*

\* Through a trust viz. RPG Foundation

Note:

- (i) Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive healthcare and sanitation ("including contribution to the Swach Bharat Kosh set up by the Central Government for the promotion of sanitation) and making available safe drinking water;
- (ii) Promoting education, including special education and employment, enhancing vocational skills especially among children, women, elderly, and the differently-abled and livelihood enhancements projects;
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens, and measures for reducing inequalities, faced by socially and economically backward groups;
- x) Rural development projects

## SECTION C: OTHER DETAILS

1.	Does the Company have any Subsidiary Company/ Companies?	Associated CEAT Holdings Company (Private) Limited, Sri Lanka CEAT AKKhan Limited, Bangladesh CEAT Specialty Tyres Limited, India Rado Tyres Limited, India
2.	Do the Subsidiary Company/Companies participate in the business responsibility initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).	Business Responsibility (BR) initiatives are guided by the RPG Code of Corporate Governance and Ethics. CSR initiatives are undertaken through RPG Foundation, a Public Charitable Trust. The Company encourages its subsidiaries to carry out BR initiatives.
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	The Company encourages responsible and sustainable business practices and supports such initiatives. All entities (e.g. suppliers, distribution etc.) that the Company does business with make an active attempt to participate in the BR initiatives of the Company.

## SECTION D: Business Responsibility (BR) INFORMATION

### 1. Details of Director/Directors responsible for BR

- (a) Details of the Director/Directors responsible for implementation of the BR policy/policies

The Board of Directors particularly the Managing Director is responsible for the various Business Responsibility initiatives.

# BUSINESS RESPONSIBILITY REPORT

## (b) Details of the BR head

No.	Particulars	Details
1	DIN Number (if applicable)	02089850
2	Name	Mr. Anant Vardhan Goenka
3	Designation	Managing Director
4	Telephone number	022-24930621
5	e-mail id	investors@ceat.in

## 2. Principle-wise (as per NVGs) BR Policy/policies

The Company's purpose is 'Making Mobility Safer and Smarter. Everyday', while its CSR vision is to drive 'holistic empowerment' of the community. The Company implements sustainable initiatives that will have maximum societal impact by identifying the critical gaps and requirements. Thus, respect and commitment for the environment, employees and the community are at the forefront of the business responsibility initiatives of the Company.

The National Voluntary Guidelines (NVGs) provide for the following 9 (nine) principles:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3: Businesses should promote the wellbeing of all employees.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Businesses should respect, protect and make efforts to restore the environment.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

## Details of compliance (Reply in Y/N)

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have a policy/ policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Yes, the policies conform to the principles of NVGs, the Companies Act, 2013, and International Standard ISO14001, OHSAS18001 as applicable to the respective policies.								
4	Has the policy being approved by the Board? If yes, has it been signed by the MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	For the detailed Policies please refer to the website of the Company <a href="http://www.ceat.in">www.ceat.in</a>								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house infrastructure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N



(a) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The Company has not understood the principles									
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The Company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

### 3. Governance related to Business Responsibility (BR)

The Board of Directors reviews the BR initiatives, the Audit Committee reviews the Whistle Blower Policy of the Company, the CSR Committee reviews the CSR policy and the CSR initiatives undertaken by the Company. In addition, since the Company is a part of the RPG Enterprises, the RPG Group has constituted the Corporate Governance and Ethics Committee, which reviews the corporate governance, code of conduct and the sustainability initiatives taken by the Company. The reviews are held on a need basis or quarterly/annually as the case may be.

## SECTION E: PRINCIPLE-WISE PERFORMANCE

### Principle 1: Ethics, Transparency and Accountability

Since inception the Company has laid down a strong corporate governance foundation based on transparency, fairness and accountability in all its dealings. Your Company is committed towards this philosophy and everyone associated with the Company must abide by its principles in letter and spirit. The Company vehemently refrains from engaging in corrupt, abusive or anti-competitive practices.

To achieve this objective, the Company has formulated the RPG Code for Corporate Governance and Ethics. It encompasses principles of business integrity, responsibilities relating to employees, consumers and the environment. The Company periodically cascades the principles under the RPG Code for Corporate Governance and Ethics across the organisation. Concerns and issues related to this framework are reviewed and dealt with by the RPG Corporate Governance and Ethics Committee.

The Company has institutionalised a Whistle Blower Policy. It provides a framework that all stakeholders - the Directors, employees, customers, vendors, suppliers, and outsourcing partners, among others can report their genuine concerns and actual or potential violations to the designated officials fearlessly.

To further strengthen transparency and strict adherence of the statutory controls and internal control system, CEAT has adopted an Online Corporate Compliance Management System, "Legatrix", a secure, sophisticated and easy to use IT enabled legal support solution. The updated information system automates the required compliance management activities with IT integration, eliminating enterprise and operational risk related to compliances. Also, the senior management can easily review the organisation's compliances and control mechanisms through comprehensive compliance dashboards. In addition the Company has also implemented the SAP-GRC module to streamline the process of managing and validating user access to applications and data in the Company.

A dedicated email address [ethics@rpg.in](mailto:ethics@rpg.in) is provided for reporting grievances and violations. The Audit Committee reviews the RPG Corporate Governance and Ethics Committee report at periodic intervals for complaints and grievances.

During FY 2016-17, the Company has received 1 complaint under the RPG Code of Corporate Governance and Ethics and which has been resolved satisfactorily.

Additionally, the Company has formulated a Code of Conduct for external stakeholders and the Policy on Code of Conduct for Board Members and Senior Management for ethical and transparent behaviour. This helps it to achieve highest standards of corporate governance.

### Principle 2: Product Lifecycle Sustainability

The Company believes product lifecycle sustainability is an approach to effectively manage stages of a product's existence to minimise any adverse environmental impact. The degree of sustainability is largely determined during the beginning of the product lifecycle in which the product is designed and developed. Following the same principle, the Company has developed its products that are safe and will contribute to sustainability throughout their lifecycle. While designing

## BUSINESS RESPONSIBILITY REPORT

its various products, the Company at the very initial stage of product development, has selected such materials and processes that can have significant impact on the product's environment footprint.

With the above objective in mind, the Company is committed to deliver products, which are safe from environmental and sociological aspects. It has developed several green resources for various types of raw materials, which follow international norms and standards like REACH, ELV, and CMRT, among others. Among its various products, the following three products have contributed in reducing environmental hazards:

- 1) REACH compliance raw materials: Reduction in environmental hazards
- 2) Low Rolling Resistance PCR Tyres – Fuel smart series: Reduction in fuel consumption
- 3) High grip two-wheeler tyres: Safe in riding (social safety)

The Company has always promoted local and domestic (local and small scale industries) resources for their business enrichment. It has identified local small-scale industries with capability or resources and encouraged them to come up with products of international benchmark for mutual benefits.

In the last year, the Company has used approximately 5,558 tons (which is less than 5% of total production) of reclaimed rubber of different forms in its products.

### Principle 3: Employee's Well-being:

Your Company encourages its employees to maintain a healthy 'work-life balance' and emphasises on the importance of safety both at the workplace and outside it. The aim is to create a working environment, supportive of employee's personal lives while meeting the Company's objectives.

The Company has embraced diversity as a culture and understands that strength lies in difference and not similarities. Although the Company encourages diversity in all aspects, it has particularly focused on gender diversity. The Company has put in place a policy of prevention of sexual harassment at the workplace. It endeavours to provide a safe working eco-system for women to work freely and express their ideas without fear. The Internal Complaints Committees formed at various factories and locations under the Policy for Prevention of Sexual Harassment at Workplace reviews any complaint or grievance by any woman. In addition, the Company has several inclusivity guidelines such as flexi-timing, work-from-home and better facilities to help women who travel for work. Thus, building an organisation that celebrates and leverages diversity.

CEAT, as the flagship company of RPG Enterprises, is part of an initiative by RPG group that has been launched to bring gender balance in the Company's workforce. The initiative 'WE' aims to reduce the number in gender gap of the workforce, create an inclusive environment and foster women's growth in the organisation. Your Company was also the first in the tyre industry to have female employees on the shop floor in factories. In addition, various programmes were conducted to raise awareness on the issue of sexual harassment of women at the workplace.

The Company's objective is to leverage talent to achieve its long-term goals. There is a clearly defined career philosophy, which involves job rotation and diversity of experiences at all stages of an individual's career. Training and organisation development are given utmost importance and the Company focuses on skill and capability building. Additionally, it focuses on combination of functional, technical and behavioural training programmes to enhance employee skill levels and talent. In FY 2016-17, the training programmes added up to 3.2 person-days per employee.

The Company believes in creating a work place where every employee enjoys and takes pride in what he/she does. The Company trusts that an engaged workforce is critical in achieving the business goals and building a sustainable organisation. With this belief, the Company every year conducts a survey viz. "Great Place to Work" in association with Great Place to Work® Institute. The results of the said survey are evaluated and every effort is made to make CEAT a great place to work through various corrective actions and improvement programmes.

As on March 31, 2017, there were 5,580 permanent employees in the Company, of which 232 were women. The Company had employed 3,828 people on a contract basis.

The Company has in place an Environment, Health and Safety Policy. It prioritises the health and safety of all persons working within the Company premises. The health and safety policies of the Company are reviewed by the Executive Director - Operations; and a quarterly report is provided to the Board of Directors. Safety performance is monitored through a set of key performance indicators, which are reviewed regularly.

Your Company is a believer in fair business practices and has an excellent record of industrial relations. It recognises and respects the rights of workers to have freedom of association and collective bargaining. During the year, there were no complaints alleging child labour, forced labour involuntary labour or discriminatory employment and there was no complaint pending as March 31, 2017.

However, 2 (two) complaints were received by the Internal Complaints Committee, which reviews and settles grievances/complaints under the policy on Prevention of sexual harassment at workplace, which were resolved satisfactorily.

The Company has in place the RPG Code of Corporate Governance and Ethics as well as the Code of Conduct for External Stakeholders, which details out the required expectations from employees and external stakeholders regarding compliance with laws and regulations. These also include laws or policies about bribery, uplift working conditions, prevent child labour and protect the environment and political non-alignment. The Company is committed to fulfil its social obligations towards its growing fraternity of stakeholders.

The Company insists that the stakeholders shall, at all times, be committed to upholding the values enshrined in the Constitution of India and applicable laws / regulations; and ensure to recognise and protect the basic human rights of every citizen of India and across the world.

#### **Principle 4: Stakeholder Engagement**

Your Company believes that businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised. Your Company's mission 'Making Mobility Safer and Smarter. Everyday' demonstrates the Company's stakeholder engagement. Customer-centricity is the core value of the Company.

The Company constantly seeks to understand what motivates the consumers to demand its products. Additionally, it seeks to provide best-in-class products and services and connect and engage with consumers. This principle is enshrined in the Quality Policy of the Company. Your Company has undertaken important initiatives like establishing call centres and creation of helplines to become more customer centric. During the year under review, JD Power survey has awarded the highest rating to the Company in terms of satisfying its OEM customers.

Your Company constantly endeavours to provide the best of services to its shareholders and investors and to maintain the highest level of corporate governance. For this purpose, the Company regularly interacts with the shareholders and investors through investor calls, results announcements, media releases and interactions, Company's website and the quarterly and annual reports. The Investor Relations team also regularly interacts with investors and analysts through quarterly results calls, one-on-one and group meetings participation at investor conferences and RPG investor meets. The Annual General Meeting is also a forum where the shareholders of the Company engage directly with the Board of Directors who answer their queries on various subjects.

All interactions with the government, regulators and quasi-judicial bodies are done by duly authorised and trained individuals with honesty, integrity, openness; and in compliance of all applicable laws and legislations. The principles and guidelines for these are enshrined in the RPG Code of Corporate Governance and Ethics.

All the Company's media interactions (print and broadcast) are expected to keep the stakeholders updated and informed, as per principles provided in the previously mentioned Code. Any association with trade bodies is done as per the relevant and extant laws; and as per the principles embedded in the aforesaid Code.

The Company has also framed policies for internal and external stakeholders, such as Corporate Social Responsibility Policy, Policy on Code of Conduct for Board Members and Senior Management, Whistle Blower Policy for External Stakeholders and so on. This is how the stakeholder's engagement in the Company is encouraged.

The project 'Swayam' under the agenda of Corporate Social Responsibility is working towards the promotion of gender equality and women empowerment. Thus, the Company is helping drive significant societal change. It aims to empower less privileged women by training them in driving skills to enhance their livelihood. With such livelihood skills, they can drive taxis, school vans or even embark upon entrepreneurial ventures.

Your Company also recognises its employees as important stakeholders and several initiatives are undertaken to communicate the vision, strategy and way forward to employees. Employees are kept abreast of all important events, achievements and milestones of your Company. Such communication channels help employees to connect, bond, inspire, motivate and celebrate achievements.

#### **Principle 5: Human Rights**

Your Company believes that businesses should respect and promote human rights. Openness and integrity form part of its core values. The Company conducts its operations with honesty, integrity and with respect for human rights.

Your Company is conversant of the element of human rights as enunciated in the Constitution of India, various laws and regulations and international charters. The Company expects and encourages its partners, suppliers and contractors to fully respect human rights and strictly avoid any violation of them. All stakeholders including employees impacted by the business have full right and access to the grievance mechanisms introduced by the Company. The Company believes in providing equal employment opportunities based on talent and meritocracy without any discrimination.

## BUSINESS RESPONSIBILITY REPORT

The Company upholds the principles of human rights and fair treatment through various policies adopted by it, such as RPG Code of Corporate Governance and Ethics, Policy on Prevention of Sexual Harassment at Workplace, Corporate Social Responsibility Policy, Hospitalisation Policy, Voluntary Provident Fund Policy and so on.

The Company has not received any complaints or grievances on this issue.

### Principle 6: Environment

Your Company fully endorses that businesses should utilise natural and man-made resources in an optimal and responsible manner and ensure sustainability of resources by reducing, reusing, recycling and managing waste. The Company strives to check and prevent pollution. The Company has an environment health and safety team, which functions under the Executive Director-Operations to ensure that the operations of the Company follow in spirit the laws relating to preservation and restoration of the environment. Several initiatives are undertaken by the R&D department and the engineering team for increasing usage of clean technology, alternative sources of energy, cleaner fuels, energy efficiency and so on. Your Company identifies and assesses environmental risks associated with pollution and emission levels at its plants and has in place a mitigation plan for the same. The said mitigation plan is periodically reviewed by the Risk Management Committee.

The Company has in place an Environment Health and Safety Policy for all its 4 (four) plants at Mumbai, Nashik, Nagpur and Halol and its subsidiaries with the following objectives:

1. Compliance with all applicable environment, health and safety statutory regulations
2. Ensure zero incidents
3. Highest priority to health and safety of employees
4. Focus on pollution prevention, waste minimisation and optimal use of natural resources

The management also ensures:

1. the maintenance and continuous upgradation of environment, health and safety standards at its plants
2. deployment of processes at the plant that are safe to people, plant, equipment and environment
3. maintenance of a comprehensive on-site emergency plan and related facilities to handle emergencies

4. training employees regarding health and safety to ensure safe conduct of their jobs
5. planning and conducting risk assessments, safety audits and inspections of plant operations, within and around the plant.

During the year under review, the emissions/waste generated by the Company is within the permissible limits given by Central Pollution Control Board (CPCB)/State Pollution Control Boards (SPCB) and no show cause / legal notices received from CPCB/ SPCB are pending. The Company has resolved all queries to the satisfaction of authorities.

### Principle 7: Policy Advocacy

Your Company believes that businesses when engaged in influencing public and regulatory policy must do so in a responsible manner. Towards this, your Company has set to make a difference to public issues that matter most to its business such as road safety. By combining its own actions with external advocacy on public matters and jointly working with Corporate Social Responsibility partners, your Company is seeking transformational change. This is reflected in the 'Drive Safe, Dad' and 'No more funny' campaigns, which underscore the safe driving and road safety aspects. The Company is well represented in industry and trade/business associations.

### Principle 8: Inclusive Growth

The Company believes that inclusive business means social and economic development through employment generation and skill development. The Company is committed to creating a positive impact through its existence on all stakeholders. Through various initiatives and programmes under its CSR activities, the Company contributes to economic and social development of underdeveloped communities, uplifting their lifestyle. The Company undertakes several community development initiatives in the vicinity of its plants. Through its Corporate Social Responsibility Policy under the aegis of the RPG Foundation, the Company governs several programmes for skill development and upliftment of the community. Most prominent among them are Swayam, Netranjali and Saksham. RPG Foundation carries out research studies for impact assessment of its various Projects from time to time.

Through Project Saksham, the Company undertakes training and employment generation for youth and women. Project Swayam encourages women to undertake vehicle driving courses and obtain commercial vehicle licenses which in turn opens new employment opportunities like forklift operators, two-wheeler delivery professionals, entrepreneurs and so on. The Company conducts vision/eye check-up camps for truckers and for those residing around its plants through the Project Netranjali. All the Company's programmes/projects have been appreciated.

Besides, the Company is involved in other projects like Jeevan - providing clean drinking water and sanitation facilities to communities and Pehlay Akshar - which aims for 100% English proficiency in children of marginalised communities.

The Company has spent ₹ 800.97 Lacs for various CSR projects as follows:

Name of the Project	₹ in Lacs
Pehlay Akshar	54.79
Pehlay Akshar School Enrichment Program (PASEP)	29.79
Swayam	218.53
Saksham	21.25
Netranjali	314.83
Jeevan	87.44
Sanjeevani	47.68
Road Smart	19.98
Other Projects	6.69
<b>Total</b>	<b>800.97</b>

#### Principle 9: Customer Value

Your Company's business partners i.e. the suppliers, distributors, C&FAs, dealers, fleet operators and customers are very crucial for its operations. The entire eco-system together ensures a well-oiled machinery, which enables the Company

to produce and market quality products and continuously improve products and services. Your Company consistently focuses on the improvement of distribution channels to ensure availability of its product in the smallest town or village. The Company constantly re-invents its distribution channels and has launched initiatives like CEAT Shoppes and CEAT Hubs. Another notable initiative is providing customers the ultimate service experience, which goes beyond tyres. Information about products is displayed on the product labels with due compliance of local and central laws.

As at March 31, 2017 only 0.7% of the total consumer complaints received during the year under review remained pending, while there were 50 consumer cases pending at various forums.

CEAT ranked highest in India for OE tyre customer satisfaction in the JD Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI) Study with a score of 893 (on a 1,000-point scale). CEAT has a significant lead with the next performing benchmark. It topped in ranking in all areas of the survey.

On **behalf of the Board of Directors**

H. V. Goenka  
Chairman

Place: Mumbai  
Date: April 28, 2017



# INDEPENDENT AUDITOR'S REPORT

To the Members of CEAT Limited

## Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of CEAT Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 22 and Note 42(b) to the standalone Ind AS financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 21 to the standalone Ind AS financial statements;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
  - iv. The Company has provided requisite disclosures in Note 50 to these standalone Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

For **SRBC & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 28, 2017

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties other than self-constructed buildings, included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2017 and no material discrepancies were noticed in respect of such confirmations.
- (iii) (a) The Company has granted loans to a subsidiary company covered in the register maintained under section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.
- (b) In respect of a loan granted to the subsidiary company covered in the register maintained under Section 189 of the Companies Act, 2013, the schedule of repayment of principal and payment of interest has been stipulated and these payments are regular. The Company has also granted another loan to the subsidiary company, which is repayable on demand. We are informed that the amount of interest and principal demanded by the Company has been paid during the year. Thus in respect of these loans, there has been no default on part of the subsidiary company to which the money was lent.
- (c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 which are overdue for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act, 2013, in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.
- (v) In respect of deposits accepted, in our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Companies Act, 2013, and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order in this regard has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of rubber tyres, tubes and flaps for all types of vehicles, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows :

						(₹ in lacs)
Name of the statute	Period to which the amounts relates	Commission- erate	Appellate authorities and Tribunal	High Court	Deposit	Net Amount
Central Excise Act/ Customs Act (Tax/ Interest/ Penalty)	1978 to 2016	1,872.26	4,128.70	91.59	185.82	5,906.73
Service Tax under the Finance Act, 1994 (Tax/Interest/ Penalty)	2005 to 2015	77.59	2,876.13	-	80.64	2,873.08
Income Tax Act (Tax/ Interest/ Penalty)	1985 to 2013	204.95	-	159.51	141.61	222.85
Sales Tax, VAT, CST (Tax/ Interest/ Penalty)	1987 to 2015	6,176.32	1,602.81	-	857.85	6,921.28
Wealth Tax (Tax)	2002-03	-	6.73	-	-	6.73
		8,331.12	8,614.37	251.10	1,265.92	15,930.67

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given by the management, the term loans were applied for the purpose for which the loans were obtained.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company, has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and hence, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **SRBC & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 28, 2017

## Annexure 2 to the Independent Auditor's Report of even date on the Standalone Financial Statements of Ceat Limited

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

We have audited the internal financial controls over financial reporting of CEAT Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting includes obtaining an understanding of

internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

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

### Inherent Limitations of Internal Financial Controls over Financial Reporting

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



### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **SRBC & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 28, 2017

# BALANCE SHEET

as at March 31, 2017

(₹ in lacs)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>ASSETS</b>				
<b>(1) Non-current assets</b>				
(a) Property, plant and equipment	3	2,34,061.53	1,91,703.92	1,43,791.80
(b) Capital work-in-progress	3	4,877.23	21,345.07	16,406.59
(c) Intangible assets	4	6,824.67	5,765.65	5,633.70
(d) Financial assets				
(i) Investments	5	19,438.56	18,438.56	8,088.56
(ii) Loans	6	195.42	273.92	269.57
(iii) Other financial assets	7	289.17	591.90	990.14
(e) Other non-current assets	8	9,166.36	2,690.42	3,436.63
(f) Non current tax assets(net)	23	3,951.65	3,734.13	2,369.84
<b>Total non-current assets</b>		<b>2,78,804.59</b>	<b>2,44,543.57</b>	<b>1,80,986.83</b>
<b>(2) Current assets</b>				
(a) Inventories	9	92,343.70	61,925.35	64,210.70
(b) Financial assets				
(i) Investments	10	6,426.88	4,005.52	31,243.32
(ii) Trade receivables	11	59,205.44	57,794.30	66,693.24
(iii) Cash and cash equivalents	12	1,424.98	1,141.62	4,445.76
(iv) Bank balances other than cash and cash equivalents	13	322.21	1,274.03	1,771.84
(v) Loans	14	5,002.04	3,403.84	1,377.16
(vi) Other financial assets	15	1,154.87	1,509.97	2,205.71
(c) Other current assets	16	16,477.30	13,656.48	7,318.45
<b>Total current assets</b>		<b>1,82,357.42</b>	<b>1,44,711.11</b>	<b>1,79,266.18</b>
<b>Total assets</b>		<b>4,61,162.01</b>	<b>3,89,254.68</b>	<b>3,60,253.01</b>
<b>EQUITY AND LIABILITIES</b>				
<b>(1) Equity</b>				
(a) Equity share capital	17	4,045.01	4,045.01	4,045.01
(b) Other equity	18	2,26,570.04	1,90,860.54	1,56,070.22
<b>Total equity</b>		<b>2,30,615.05</b>	<b>1,94,905.55</b>	<b>1,60,115.23</b>
<b>(2) Non-current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	20	70,350.61	58,735.13	35,165.95
(ii) Other financial liabilities	21	1,666.17	537.76	142.20
(b) Provisions	22	3,418.14	2,455.86	2,672.70
(c) Deferred tax liabilities (net)	23	20,300.63	14,808.84	11,788.80
(d) Deferred revenue	24	1,049.96	1,132.09	1,214.22
<b>Total non-current liabilities</b>		<b>96,785.51</b>	<b>77,669.68</b>	<b>50,983.87</b>
<b>(3) Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	25	5,798.99	2,190.95	25,684.03
(ii) Trade payables	26	74,957.88	63,061.40	63,401.22
(iii) Other financial liabilities	27	37,772.08	39,209.31	47,460.62
(b) Deferred revenue	24	82.13	82.13	82.13
(c) Other current liabilities	28	7,633.42	7,128.82	6,792.51
(d) Provisions	22	5,459.59	4,699.30	5,399.95
(e) Current tax liabilities (net)	23	2,057.36	307.54	333.45
<b>Total current liabilities</b>		<b>1,33,761.45</b>	<b>1,16,679.45</b>	<b>1,49,153.91</b>
<b>Total equity and liabilities</b>		<b>4,61,162.01</b>	<b>3,89,254.68</b>	<b>3,60,253.01</b>
Significant accounting policies	2			

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

For S R B C &amp; CO LLP

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

Kumar Subbiah

Chief Financial Officer

H.V. Goenka

Chairman

Anant Goenka

Managing Director

per Vinayak Pujare

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

Shruti Joshi

Company Secretary

Mahesh Gupta

Chairman- Audit Committee

Place : Mumbai

Date: April 28, 2017

# STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2017

		(₹ in lacs)	
Particulars	Note no.	2016-17	2015-16
<b>I INCOME</b>			
Revenue from operations	29	6,37,651.80	6,11,873.26
Other income	30	4,145.73	4,608.51
<b>Total income</b>		<b>6,41,797.53</b>	<b>6,16,481.77</b>
<b>II EXPENSES</b>			
Cost of material consumed	31	3,30,888.21	2,95,378.28
Purchase of stock-in-trade		14,255.00	13,816.46
Changes in inventories of finished goods, stock-in-trade and work-in-progress	32	(7,615.11)	(232.27)
Employee benefit expense	33	38,385.00	36,905.40
Finance costs	34	7,946.89	9,331.64
Depreciation and amortization expenses	35	14,200.84	10,684.15
Excise duty on sale of goods		67,479.27	66,367.74
Other expenses	36	1,28,259.84	1,20,310.82
<b>Total expenses</b>		<b>5,93,799.94</b>	<b>5,52,562.22</b>
<b>III Profit before exceptional items and tax</b>		<b>47,997.59</b>	<b>63,919.55</b>
<b>IV Exceptional items</b>	37	1,332.55	1,139.99
<b>V Profit before tax</b>		<b>46,665.04</b>	<b>62,779.56</b>
<b>VI Tax expense</b>	23		
Current tax		11,444.94	15,057.86
Deferred tax		5,789.80	3,203.87
MAT credit entitlement		(6,842.28)	-
<b>VII Profit for the year</b>		<b>36,272.58</b>	<b>44,517.83</b>
<b>VIII Other Comprehensive Income</b>			
<b>Items that will not be reclassified subsequently to statement of profit and loss</b>			
Remeasurements gains/ (losses) on defined benefit plans		(483.99)	315.53
Income tax relating to above		167.50	(109.20)
<b>Items that will be reclassified subsequently to statement of profit and loss</b>			
Net movement of cash flow hedges		(377.10)	(53.95)
Income tax relating to above item		130.51	18.67
<b>Total other comprehensive income for the year</b>		<b>(563.08)</b>	<b>171.05</b>
<b>IX Total Comprehensive Income for the year (Comprising profit and other comprehensive income for the year)</b>		<b>35,709.50</b>	<b>44,688.88</b>
<b>X Earnings per equity share (of ₹ 10 each)</b>	39		
Basic (in ₹)		89.67	110.06
Diluted (in ₹)		89.67	110.06
Significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

per Vinayak Pujare

Partner

Membership Number: 101143

Place: Mumbai

Date: April 28, 2017

Kumar Subbiah

Chief Financial Officer

Shruti Joshi

Company Secretary

Place: Mumbai

Date: April 28, 2017

For and on behalf of Board of Directors of CEAT Limited

H.V. Goenka

Chairman

Mahesh Gupta

Chairman- Audit Committee

Anant Goenka

Managing Director

# STATEMENT OF CASH FLOWS

for the year ended March 31, 2017

(₹ in lacs)

Particulars	2016-17	2015-16
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	46,665.04	62,779.56
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortization	14,200.84	10,684.15
Interest income	(846.46)	(838.64)
Finance costs	7,946.89	9,331.64
Dividend income	(1,639.24)	(2,235.20)
Provision for doubtful debts / advances	897.95	441.97
Credit balances written back	(591.34)	(76.71)
Bad debts written off	22.44	6.26
(Profit) / Loss on sale of fixed assets (net)	554.58	(359.92)
Unrealised foreign exchange (gain) / loss (net)	(76.59)	27.94
(Profit) / loss on sale of investment	(282.82)	(159.01)
Remeasurement gain / (loss) on defined benefit plans	(483.99)	315.53
<b>Operating profit before working capital changes</b>	<b>66,367.30</b>	<b>79,917.57</b>
<b>Adjustments for :</b>		
Decrease / (Increase) in inventory	(30,418.35)	2,285.39
Decrease / (Increase) in trade receivables	(2,073.90)	8,428.08
Decrease / (Increase) in current loans, other current assets and other financial assets	(2,486.49)	(6,410.48)
Decrease / (Increase) in non-current loans and other non-current assets	(579.68)	320.60
Decrease / (Increase) in non-current financial assets	232.54	68.64
(Decrease) / Increase in trade payables	10,397.05	4,856.62
(Decrease) / Increase in current financial liabilities and other current liabilities	1,595.08	97.03
(Decrease) / Increase in non-current financial liabilities and deferred revenue	(81.27)	(79.13)
(Decrease) / Increase in current provisions	759.39	(700.66)
(Decrease) / Increase in non-current provisions	608.50	(485.74)
<b>Cash flows from operating activities</b>	<b>44,320.17</b>	<b>88,297.92</b>
Direct taxes paid (net of refunds)	(9,912.43)	(16,448.26)
<b>Net cash flow from operating activities (A)</b>	<b>34,407.74</b>	<b>71,849.66</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment (including capital work-in progress and capital advance)	(40,690.35)	(66,126.78)
Proceeds from sale of property, plant and equipment	-	6,287.35
Withdrawal of bank deposits (having original maturity of more than three months)	750.00	1,208.00
Investment in bank deposits (having original maturity of more than three months)	-	(750.00)
Withdrawal of margin money deposit with banks	17.54	-
Changes in other bank balances	201.82	40.10
Purchase of non current investments	(1,000.00)	(10,350.00)
Purchase of current investment (net)	(2,138.55)	27,396.81
Interest received	916.10	883.83
Repayment of loan given to subsidiary	6,900.00	71.67
Loan given to subsidiary	(8,500.00)	(2,100.00)
Dividend received	1,639.24	2,235.20
<b>Net cash (used in) investing activities (B)</b>	<b>(41,904.20)</b>	<b>(41,203.82)</b>

# STATEMENT OF CASH FLOWS

for the year ended March 31, 2017

		(₹ in lacs)	
Particulars	2016-17	2015-16	
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid	(8,093.66)	(9,831.16)	
Repayment of public deposit	(3,469.23)	(4,290.69)	
Change in other short-term borrowings (net)	5,847.96	(11,571.53)	
Proceeds from short-term buyers credit	-	14,078.90	
Repayment of short-term buyers credit	-	(31,006.98)	
Proceeds from long-term borrowings	21,458.58	49,946.40	
Repayment of long-term borrowings	(7,898.01)	(31,482.04)	
Dividend paid	(65.82)	(8,591.09)	
Dividend distribution tax paid	-	(1,201.79)	
<b>Net cash flows from / (used in) financing activities (C)</b>	<b>7,779.82</b>	<b>(33,949.98)</b>	
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>283.36</b>	<b>(3,304.14)</b>	
<b>Cash and cash equivalents at the beginning of the year (Refer note 12)</b>	<b>1,141.62</b>	<b>4,445.76</b>	
<b>Cash and cash equivalents at the end of the year (Refer note 12)</b>	<b>1,424.98</b>	<b>1,141.62</b>	

The accompanying notes are an integral part of the financial statements.

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

**Kumar Subbiah**

Chief Financial Officer

**H.V. Goenka**

Chairman

**Anant Goenka**

Managing Director

**per Vinayak Pujare**

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

**Shruti Joshi**

Company Secretary

**Mahesh Gupta**

Chairman- Audit Committee

Place : Mumbai

Date: April 28, 2017



## STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2017

Particulars	Equity share capital (refer note 17)	Other equity						Total other equity	Total equity
	Securities premium reserve (refer note 18(a))	Capital reserve (refer note 18(b))	Capital redemption reserve (refer note 18(c))	Debenture redemption reserve (refer note 18(e))	General Reserve (refer note 18(f))	Retained earnings (refer note 18(g))	Cash flow hedge reserve (refer note 18(d))		
As at April 1, 2015	4,045.01	56,702.93	1,176.88	390.00	-	20,177.32	77,583.92	39.17	1,60,115.23
Profit for the year	-	-	-	-	-	-	44,517.83	-	44,517.83
Other comprehensive income	-	-	-	-	-	-	206.33	(35.28)	171.05
Total comprehensive income	-	-	-	-	-	-	44,724.16	(35.28)	44,688.88
Payment of dividend	-	-	-	-	-	-	(8,696.77)	-	(8,696.77)
Payment of dividend distribution tax (DDT)	-	-	-	-	-	-	(1,201.79)	-	(1,201.79)
Transfer to debenture redemption reserve	-	-	-	-	-	-	(1,667.00)	-	(1,667.00)
Transfer from retained earnings	-	-	-	-	1,667.00	-	-	-	1,667.00
As at March 31, 2016	4,045.01	56,702.93	1,176.88	390.00	1,667.00	20,177.32	1,10,742.52	3.89	1,90,860.54
Profit for the year	-	-	-	-	-	-	36,272.58	-	36,272.58
Other comprehensive income	-	-	-	-	-	-	(316.49)	(246.59)	(563.08)
Total comprehensive income	-	-	-	-	-	-	35,956.09	(246.59)	35,709.50
Transfer to debenture redemption reserve	-	-	-	-	-	-	(1,667.00)	-	(1,667.00)
Transfer from retained earnings	-	-	-	-	1,667.00	-	-	-	1,667.00
As at March 31, 2017	4,045.01	56,702.93	1,176.88	390.00	3,334.00	20,177.32	1,45,031.61	(242.70)	2,30,615.05

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

For SRBC & COLL

Chartered Accountants

CAI Firm Registration No.:324982E/E300003

**Kumar Subbiah**  
Chief Financial Officer

per Vinavak Pujare

Partner

Membership Number: 101143

Place: Mumbai

Date: April 28, 2017

Shruti Joshi  
Company Secretary

Company Secretary

Place: Mumbai

Date: April 28, 2017

**Mahesh Gupta**  
Chairman - Audit Committee

H.V. Goenka  
Chairman

Anant Goenka  
Managing Director

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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 28, 2017.

## 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.

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended March 31, 2017 are the first financial statements which the Company has prepared in accordance with Ind AS. Refer to note 51 for information on how the Company adopted Ind AS.

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.

### 2. Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

### 3. Revenue recognition

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

Based on the educational material on Ind AS 18 issued by the ICAI, the Group 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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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.

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. 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 or 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 Incentives such as Focus Market Scheme, Focus Products Scheme and Special Focus Market Scheme are 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 or loss is recognised outside profit or 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

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

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

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

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

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

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

expenditure is reflected in statement of 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 is 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 expenditure on an individual project is 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 of finished goods includes excise duty. Cost is determined on a weighted average basis.
- Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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 Nashik 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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 statement of profit and loss in subsequent periods.

Past service costs are recognised in statement of 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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' 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 statement of profit and loss. The losses arising from impairment are recognised in the statement of 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.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 statement of 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, 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 statement of profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through statement of 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 statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through statement of 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 or loss. The Company has not designated any financial liability as at fair value through profit and loss.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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 statement of 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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 statement of profit and loss.

### Fair value hedges

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

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through statement of 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 statement of 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 statement of 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 statement of profit and loss.

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

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

## 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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 statement of profit and loss.

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



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

	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
(₹ in lacs)										
<b>Gross carrying amount</b>										
As at April 1, 2015	41,718.71	8,524.30	17,884.96	73,811.82	33.96	749.62	487.33	581.10	16,406.59	1,60,198.39
Additions	4.50	1,535.17	12,167.32	49,541.33	0.65	190.35	92.22	339.85	68,809.87	1,32,681.26
Disposals	(0.61)	(4,677.79)	(471.20)	(805.36)	-	(8.54)	(0.58)	(26.36)	-	(5,990.44)
Transfers/capitalised	-	-	-	-	-	-	-	-	(63,871.39)	(63,871.39)
Adjustments during the year*	-	-	59.98	(68.05)	(0.38)	0.62	-	7.76	-	(0.07)
<b>As at March 31, 2016</b>	<b>41,722.60</b>	<b>5,381.68</b>	<b>29,641.06</b>	<b>1,22,479.74</b>	<b>34.23</b>	<b>932.05</b>	<b>578.97</b>	<b>902.35</b>	<b>21,345.07</b>	<b>2,23,017.75</b>
Additions	-	9.13	3,960.92	51,195.02	1.74	205.66	24.90	740.35	39,672.36	95,810.08
Disposals	-	-	(103.18)	(535.76)	-	-	(79.39)	(0.27)	-	(718.60)
Transfers/capitalised	-	-	-	-	-	-	-	-	(56,140.20)	(56,140.20)
Adjustments during the year*	-	-	(1,261.63)	1,261.63	-	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>41,722.60</b>	<b>5,390.81</b>	<b>32,237.17</b>	<b>1,74,400.63</b>	<b>35.97</b>	<b>1,137.71</b>	<b>524.48</b>	<b>1,642.43</b>	<b>4,877.23</b>	<b>2,61,969.03</b>
<b>Accumulated Depreciation</b>										
As at April 1, 2015	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	71.70	972.94	8,671.39	0.85	91.71	113.35	109.68	-	10,031.62
Disposals	-	-	(4.60)	(52.47)	-	(1.21)	-	(4.58)	-	(62.86)
Adjustments during the year*	-	-	-	-	-	-	-	-	-	-
<b>As at March 31, 2016</b>	<b>-</b>	<b>71.70</b>	<b>968.34</b>	<b>8,618.92</b>	<b>0.85</b>	<b>90.50</b>	<b>113.35</b>	<b>105.10</b>	<b>-</b>	<b>9,968.76</b>
Depreciation for the year	-	75.49	1,130.19	11,602.57	1.67	117.45	88.94	216.03	-	13,232.34
Disposals	-	-	(34.06)	(105.82)	-	-	(30.89)	(0.06)	-	(170.83)
Adjustments during the year*	-	-	(8.72)	8.72	-	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>-</b>	<b>147.19</b>	<b>2,055.75</b>	<b>20,124.39</b>	<b>2.52</b>	<b>207.95</b>	<b>171.40</b>	<b>321.07</b>	<b>-</b>	<b>23,030.27</b>
<b>Net book value</b>										
As at April 1, 2015	41,718.71	8,524.30	17,884.96	73,811.82	33.96	749.62	487.33	581.10	16,406.59	1,60,198.39
As at March 31, 2016	41,722.60	5,309.98	28,672.72	1,13,860.82	33.38	841.55	465.62	797.25	21,345.07	2,13,048.99
As at March 31, 2017	41,722.60	5,243.62	30,181.42	1,54,276.24	33.45	929.76	353.08	1,321.36	4,877.23	2,38,938.76

\* Adjustments include regrouping of certain assets into other class of assets

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Net book value

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Property, plant and equipment	2,34,061.53	1,91,703.92	1,43,791.80
Capital work in progress	4,877.23	21,345.07	16,406.59

- Building includes as at March 31, 2017 ₹ 0.10 Lacs (As at March 31, 2016 ₹ 0.10 lacs; As at April 1, 2015 ₹ 0.10 lacs ) being value of unquoted fully-paid shares held in various co-operative housing societies.
- During the previous year, the Company had sold the following assets that were held for sale in the year 2014-15:
  - Leasehold land at Additional Ambernath Industrial Area, Ambernath having book value of ₹ 3,543.63 lacs.
  - Freehold land at Gujarat having book value of ₹ 0.60 lacs.
- During the year, the Company has transferred the following expenses which are attributable to the construction activity and are included in the cost of capital work-in-progress (CWIP) / Fixed assets as the case may be. Consequently, expenses disclosed under the respective notes are net of such amounts.

(₹ in lacs)

Particulars	Note No.	FY 2016-17	FY 2015-16
Finance cost	34	1,437.03	1,447.08
Professional and consultancy charges	36	23.64	933.60
Miscellaneous expenses	36	1,928.03	2,035.54
Employee benefit expenses	33	253.88	1,563.18
Travelling & conveyance	36	101.41	389.80
<b>Total</b>		<b>3,743.99</b>	<b>6,369.20</b>

- As a part of ongoing expansion project at Halol, during the year the Company has capitalised and commissioned assets of ₹ 18,343.21 lacs (March 31, 2016: ₹ 44,768.09 lacs). This has resulted in the installed capacity as on March 31, 2017 to 76 MT per day (as on March 31, 2016: 39 MT per day). Full expansion project of 120 MT per day is however expected to be commissioned, in phase, by end of July 2017.
- In the previous year, the Company had commissioned, its Greenfield Unit, situated at Butibori, near Nagpur, Maharashtra, with effect from March 28, 2016. Accordingly, the Company has capitalised the assets amounting to ₹ 22,995.61 lacs (March 31, 2016: ₹ 9,375.40 lacs). This has resulted in the installed capacity as on March 31, 2017 to 54 MT per day (as on March 31, 2016: 15 MT per day). Full expansion project of 120 MT per day is expected to be commissioned, in phases, by end of FY 2017-18.
- The amount of borrowing costs capitalised during the year ended March 31, 2017 was ₹ 1,437.03 lacs (March 31, 2016: ₹ 1,447.08 lacs). The rate used to determine the amount of borrowing costs eligible for capitalisation was 8.89% (March 31, 2016: 9.50%) which is the effective interest rate of specific borrowings.
- Refer note 20 for details on pledges and securities.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 4: Intangible assets

(₹ in lacs)

Particulars	Software	Brand	Technical Knowhow	Product development	Total
<b>Gross carrying amount</b>					
As at April 1, 2015	525.80	4,403.52	704.38	-	5,633.70
Additions	784.41	-	-	-	784.41
Disposals	-	-	-	-	-
Adjustments during the year	0.07	-	-	-	0.07
As at March 31, 2016	1,310.28	4,403.52	704.38	-	6,418.18
Additions	995.70	-	-	1,031.82	2,027.52
Disposals	-	-	-	-	-
As at March 31, 2017	2,305.98	4,403.52	704.38	1,031.82	8,445.70
<b>Amortization and Impairment</b>					
As at April 1, 2015	-	-	-	-	-
Amortization during the year	346.65	264.51	41.37	-	652.53
Disposals	-	-	-	-	-
Adjustments during the year	-	-	-	-	-
As at March 31, 2016	346.65	264.51	41.37	-	652.53
Amortization during the year	602.10	264.52	41.37	60.51	968.50
Disposals	-	-	-	-	-
As at March 31, 2017	948.75	529.03	82.74	60.51	1,621.03
<b>Net Book Value</b>					
As at April 1, 2015	525.80	4,403.52	704.38	-	5,633.70
As at March 31, 2016	963.63	4,139.01	663.01	-	5,765.65
As at March 31, 2017	1,357.23	3,874.49	621.64	971.31	6,824.67

- 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 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.
- The Company has acquired technical know-how and assistance from International Tire Engineering Resources LLC, for setting up 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, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current</b>				
<b>Unquoted equity shares (at amortised cost) (Non Trade)</b>				
<b>Investment in Subsidiaries</b>				
1,00,00,000 (March 31, 2016: 1,00,00,000, April 1, 2015: 1,00,00,000) equity shares of Associated CEAT Holdings Company (Pvt) Limited.	10 LKR	4,357.46	4,357.46	4,357.46
10,49,99,994 (March 31, 2016: 10,49,99,994, April 1, 2015: 10,49,99,994) equity shares of CEAT AKKHAN Limited	10 Taka	3,717.06	3,717.06	3,717.06
94,16,350 (March 31, 2016: 94,16,350, April 1, 2015: 94,16,350) equity shares of Rado Tyres Limited	₹ 10	8.86	8.86	8.86
1,10,49,960 (March 31, 2016: 1,00,49,960, April 1, 2015: 49,960) equity shares of CEAT Speciality Tyres Limited	₹ 10	11,005.00	10,005.00	5.00
<b>Investment in Others</b>				
1,800 (March 31, 2016: 1,800, April 1, 2015: 1,800) equity shares of Maestro Comtrade Private Limited	₹ 10	0.18	0.18	0.18
<b>Unquoted preference shares (at amortised cost) (Non Trade)</b>				
<b>Investment in Subsidiaries</b>				
3,50,000 (March 31, 2016: 3,50,000, April 1, 2015: NIL) 12.5% cumulative redeemable preference shares of Rado Tyres Limited	₹ 100	350.00	350.00	-
<b>Aggregate value of unquoted investments</b>		<b>19,438.56</b>	<b>18,438.56</b>	<b>8,088.56</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 6: Loans

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non current (at amortised cost)</b>			
<b>Secured, considered good</b>			
Security deposits	189.21	193.38	143.95
<b>Unsecured, considered good</b>			
Security deposits	6.21	80.54	125.62
<b>Unsecured, considered doubtful</b>			
Security deposits	92.35	74.30	50.55
Less : Provision made for doubtful deposits	(92.35)	(74.30)	(50.55)
<b>Total</b>	<b>195.42</b>	<b>273.92</b>	<b>269.57</b>

## Note 7: Other financial assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non current</b>			
<b>Unsecured, considered good</b>			
<b>At fair value through other comprehensive income</b>			
Derivative financial instrument	-	-	348.18
<b>At amortised cost</b>			
Receivables from subsidiaries (refer note 43)	-	232.54	219.69
Receivables from other related parties (refer note 43)	-	-	45.83
Margin Money Deposits*	289.17	359.36	376.44
<b>Unsecured, considered doubtful</b>			
Receivables from subsidiaries (refer note 43)	227.95	-	-
Less : Provision for receivables	(227.95)	-	-
<b>Total</b>	<b>289.17</b>	<b>591.90</b>	<b>990.14</b>

\* The margin money 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, 2017	As at March 31, 2016	As at April 1, 2015
<b>Unsecured, considered good</b>			
Capital advances	1,611.50	2,309.25	2,706.75
Security deposits with statutory authorities	712.58	381.17	729.88
Minimum Alternate Tax(MAT) credit	6,842.28	-	-
<b>Unsecured, considered doubtful</b>			
Balances with government authorities and agencies	293.61	218.13	268.68
Less : Provision for doubtful balances	(293.61)	(218.13)	(268.68)
<b>Total</b>	<b>9,166.36</b>	<b>2,690.42</b>	<b>3,436.63</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 9: Inventories

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

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
a) Raw materials	37,825.93	15,852.72	18,555.60
Goods in transit	4,894.31	4,645.38	3,957.63
	<b>42,720.24</b>	<b>20,498.10</b>	<b>22,513.23</b>
b) Work-in-progress	3,148.70	2,483.83	2,024.48
c) Finished goods (refer foot note i)	40,779.05	32,844.07	33,837.52
d) Stock in trade	2,035.11	2,016.00	1,575.80
Goods in transit	369.52	873.42	328.72
	<b>2,404.63</b>	<b>2,889.42</b>	<b>1,904.52</b>
e) Stores and spares	3,225.74	3,193.27	3,923.70
Goods in transit	65.34	16.66	7.25
	<b>3,291.08</b>	<b>3,209.93</b>	<b>3,930.95</b>
<b>Total</b>	<b>92,343.70</b>	<b>61,925.35</b>	<b>64,210.70</b>
<b>i) Details of finished goods</b>			
Automotive tyres	34,321.70	27,054.23	26,962.15
Tubes and others	6,457.35	5,789.84	6,875.37
<b>Total</b>	<b>40,779.05</b>	<b>32,844.07</b>	<b>33,837.52</b>

### Notes:

- Cost of inventory recognised as an expense as at March 31, 2017 includes ₹ 2,099.34 lacs ( March 31, 2016 ₹ 1,852.04 lacs) in respect of write down due to net realisable value or slow moving.
- 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)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 10: Investments

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current (at fair value through profit and loss)</b>			
<b>Investment in units of liquid mutual funds and debentures (quoted)</b>			
<b>a) Unit of Face value ₹ 10 each, fully-paid up</b>			
NIL (March 31, 2016: NIL, April 1, 2015: 1,89,97,090) units of Sundaram Money Fund - Regular - Growth	-	-	1,919.18
<b>b) Unit of Face value ₹ 1,000 each, fully-paid up</b>			
NIL (March 31, 2016: 57,547, April 1, 2015: NIL) units of Baroda Pioneer Liquid Fund - Plan B - Direct - Growth	-	1,001.66	-
NIL (March 31, 2016: NIL, April 1, 2015: 1,00,563) units of BOI AXA Treasury Advantage Fund - Direct - Growth	-	-	1,008.57
NIL (March 31, 2016: NIL, April 1, 2015: 3,09,265) units of Franklin India TMA - Direct - Growth	-	-	3,098.38
NIL (March 31, 2016: 97, April 1, 2015: NIL) units of Franklin India Treasury Management Account- Super Institutional Plan- Daily Dividend Reinvestment	-	0.97	-
NIL (March 31, 2016: NIL, April 1, 2015: 5,91,853) units of Indiabulls Liquid Fund - Direct- Growth	-	-	5,921.09
15,158 (March 31, 2016: 40,321, April 1, 2015: 3,27,497) units of Kotak Floater - Short - Term - Regular - Growth	403.80	1,000.91	4,004.66
NIL (March 31, 2016: 25, April 1, 2015: NIL) units of Kotak Floater - Short - Term- Daily Dividend	-	0.26	-
NIL (March 31, 2016: 48,168, April 1, 2015: NIL) units of L&T Liquid Fund - Direct - Growth	-	1,000.89	-
10,176 (March 31, 2016: 36,434, April 1, 2015: NIL) units of LIC MF Liquid Fund - Direct - Growth	300.08	1,000.83	-
NIL (March 31, 2016: NIL, April 1, 2015: 1,85,199) units of Reliance Liquid Fund - Cash Plan - Direct - Growth	-	-	2,063.40
NIL (March 31, 2016: NIL, April 1, 2015: 6) units of Reliance Liquid Fund - TP - Direct - Growth	-	-	0.09
39,191 (March 31, 2016: NIL, April 1, 2015: 5,02,771) units of SBI Premier Liquid Fund - Direct - Growth	1,000.28	-	5,077.54
NIL (March 31, 2016: NIL, April 1, 2015: 3,27,526) units of Taurus Liquid Fund - Direct - Growth	-	-	5,011.83
93,77,051 (March 31, 2016: NIL, April 1, 2015: 3,13,776) units of Taurus Short - Term Income Fund - Direct - Growth	1,321.78	-	3,138.58
32,940 (March 31, 2016: NIL, April 1, 2015: NIL) units of UTI Money Market- Direct - Growth	600.89	-	-
1,33,384 (March 31, 2016: NIL, April 1, 2015: NIL) units of ICICI Prudential Money Market Fund - Direct - Growth	300.05	-	-
<b>c) Unit of Face value ₹ 1,00,000 each, fully-paid up</b>			
2,500 (March 31, 2016: NIL, April 1, 2015: NIL) units of Reliance Capital-Market Linked Debentures	2,500.00	-	-
<b>Aggregate market value of quoted instruments</b>	<b>6,426.88</b>	<b>4,005.52</b>	<b>31,243.32</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 11: Trade receivables

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables from others	57,423.24	56,343.71	66,078.25
Trade receivables from related parties (refer note 43)	1,782.20	1,450.59	614.99
<b>Total receivables</b>	<b>59,205.44</b>	<b>57,794.30</b>	<b>66,693.24</b>

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Break-up for security details</b>			
Secured, considered good*	22,769.31	22,804.30	24,000.02
Unsecured, considered good	36,436.13	34,990.00	42,693.22
Doubtful	3,290.63	1,797.16	1,379.18
<b>Total</b>	<b>62,496.07</b>	<b>59,591.46</b>	<b>68,072.42</b>
Allowance for doubtful debts	(3,290.63)	(1,797.16)	(1,379.18)
<b>Total trade receivables</b>	<b>59,205.44</b>	<b>57,794.30</b>	<b>66,693.24</b>

\* 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 and generally on terms of 30 to 60 days credit period.

## Note 12: Cash and cash equivalents

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Balances with Banks</b>			
On current accounts (Refer foot note a)	405.34	33.96	2,936.17
On remittance in transit	1,013.36	1,103.67	1,497.24
Cash on hand	6.28	3.99	12.35
<b>Cash and cash equivalent as per statement of cash flow</b>	<b>1,424.98</b>	<b>1,141.62</b>	<b>4,445.76</b>

- a) Includes ₹ nil for March 31, 2017 (March 31, 2016 ₹ nil, April 1, 2015 ₹ 4.53 Lacs) outstanding for a period exceeding seven years. This amount is no longer payable as the Company has adjusted this amount towards call-in arrears of partly paid-up equity shares of the Company held by the shareholders, pursuant to a resolution passed by the Board of Directors.

## Note 13: Bank balances other than cash and cash equivalents

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deposits with Maturity of more than 3 months but less than 12 months (Refer foot note a)	0.20	750.20	1,208.20
Balances held for unclaimed public fixed deposit and interest thereon (refer foot note b)	128.20	308.04	454.11
Balances unclaimed dividend accounts (Refer foot note c)	193.81	215.79	109.53
<b>Total</b>	<b>322.21</b>	<b>1,274.03</b>	<b>1,771.84</b>

### Notes:

- a) Deposit to the extent of ₹ 0.20 lacs (March 31, 2016: ₹ 750.20 lacs, April 1, 2015: ₹ 637.41 lacs) is created for the purpose of deposit repayment reserve account and cannot be used for any other purpose.
- b) These balances are available for use only towards settlement of matured deposits and interest on deposits. Also includes ₹ 0.20 lacs (March 31, 2016: ₹ 0.20, lacs April 1, 2015: ₹ 0.20 lacs) outstanding for a period exceeding seven years, in respect of which a Government agency has directed to the Company to hold and not transfer / repay.
- c) These balances are available for use only towards settlement of corresponding unpaid dividend liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 14 : Loans

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current (at amoritised cost)</b>			
<b>Unsecured, considered good</b>			
Advance receivable in cash	2.04	3.84	5.49
Loans to related parties	5,000.00	3,400.00	1,371.67
<b>Unsecured, considered doubtful</b>			
Loans advances and deposits	162.76	132.00	132.00
Less: Provision for doubtful advances and deposits	(162.76)	(132.00)	(132.00)
<b>Total</b>	<b>5,002.04</b>	<b>3,403.84</b>	<b>1,377.16</b>

## Note 15: Other financial assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current</b>			
<b>Unsecured, considered good</b>			
<b>At fair value through other comprehensive income</b>			
Derivative instrument	-	143.94	837.37
<b>At amortised cost</b>			
Advance receivable in cash	526.92	462.09	750.52
Other receivables	66.26	43.46	129.53
Interest receivable	0.89	18.15	46.00
Recoverable against fire loss	-	470.00	442.29
Receivable from subsidiaries/ joint ventures	438.02	372.33	-
Unamortised premium on forward contract	122.78	-	-
<b>Total</b>	<b>1,154.87</b>	<b>1,509.97</b>	<b>2,205.71</b>

## Note 16: Other current assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Unsecured, considered good</b>			
Advance receivable in kind or for value to be received	8,526.75	3,344.57	1,675.37
Balance with government authorities	7,504.49	9,521.70	5,179.86
Advance to employees	14.35	20.54	21.63
Prepaid expense	431.71	769.67	441.59
<b>Unsecured, considered doubtful</b>			
Advance receivable in kind or for value to be received	44.22	-	-
Less: Provision for advance receivable in kind or for value to be received	(44.22)	-	-
<b>Total</b>	<b>16,477.30</b>	<b>13,656.48</b>	<b>7,318.45</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 17: Equity share capital

### Authorised share capital

	Equity shares		Preference Shares		Unclassified Shares	
	Numbers	₹ in lacs	Numbers	₹ in lacs	Numbers	₹ in lacs
<b>At April 1, 2015</b>	4,61,00,000	4,610.00	39,00,000	390.00	1,00,00,000	1,000.00
Increase / (decrease) during the year	-	-	-	-	-	-
<b>At March 31, 2016</b>	4,61,00,000	4,610.00	39,00,000	390.00	1,00,00,000	1,000.00
Increase / (decrease) during the year	-	-	-	-	-	-
<b>At March 31, 2017</b>	<b>4,61,00,000</b>	<b>4,610.00</b>	<b>39,00,000</b>	<b>390.00</b>	<b>1,00,00,000</b>	<b>1,000.00</b>

### Issued share capital

#### Equity shares of ₹ 10 each issued

	Numbers	(₹ in lacs)
<b>At April 1, 2015 (refer foot note a)</b>	4,04,50,780	4,045.08
Allotted during the year	-	-
<b>At March 31, 2016 (refer foot note a)</b>	4,04,50,780	4,045.08
Allotted during the year ₹	-	-
<b>At March 31, 2017 (refer foot note a)</b>	<b>4,04,50,780</b>	<b>4,045.08</b>

### Subscribed and Paid-up share capital

#### Equity shares of ₹ 10 each subscribed and fully paid

	Numbers	(₹ in lacs)
<b>At April 1, 2015</b>	4,04,50,092	4,045.01
Allotted during the year	-	-
<b>At March 31, 2016</b>	4,04,50,092	4,045.01
Allotted during the year	-	-
<b>At March 31, 2017</b>	<b>4,04,50,092</b>	<b>4,045.01</b>

#### Notes:

a) Includes 688 (March 31, 2016- 688; April 1, 2015- 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, 2017		As at March 31, 2016		As at April 1, 2015	
	Numbers	% holding in the class	Numbers	% holding in the class	Numbers	% holding in the class
<b>Equity shares of ₹ 10 each fully paid</b>						
Instant Holdings Limited	1,15,10,812	28.46%	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%	44,84,624	11.09%
Kotak Mahindra (International Limited)	-	-	-	-	25,15,700	6.22%
TIAA-CREF Institutional Mutual Fund International	-	-	-	-	21,60,298	5.34%

d) As per the records of the Company as at March 31, 2017 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, 2017.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 18: Other equity

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Securities premium reserve (refer foot note a)	56,702.93	56,702.93	56,702.93
Capital reserve (refer foot note b)	1,176.88	1,176.88	1,176.88
Capital redemption reserve (refer foot note c)	390.00	390.00	390.00
Cash flow hedge reserve (refer foot note d)	(242.70)	3.89	39.17
Debenture redemption reserve (DRR) (refer foot note e)	3,334.00	1,667.00	-
General reserve (refer foot note f)	20,177.32	20,177.32	20,177.32
Retained earnings (refer foot note g)	1,45,031.61	1,10,742.52	77,583.92
<b>Total other equity</b>	<b>2,26,570.04</b>	<b>1,90,860.54</b>	<b>1,56,070.22</b>

### 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, 2015	56,702.93
At March 31, 2016	56,702.93
At March 31, 2017	<b>56,702.93</b>

### b) Capital reserve

Capital reserve includes profit on amalgamation of entities.

	(₹ in lacs)
At April 1, 2015	1,176.88
At March 31, 2016	1,176.88
At March 31, 2017	<b>1,176.88</b>

### 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, 2015	390.00
At March 31, 2016	390.00
At March 31, 2017	<b>390.00</b>

### 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, 2015	<b>39.17</b>
Gain / (Loss) arising during the year	(35.28)
At March 31, 2016	<b>3.89</b>
Gain / (Loss) arising during the year	(246.59)
At March 31, 2017	<b>(242.70)</b>

### 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, 2015	-
Add: Transfer from retained earnings during the year	1,667.00
At March 31, 2016	<b>1,667.00</b>
Add: Transfer from retained earnings during the year	1,667.00
At March 31, 2017	<b>3,334.00</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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, 2015	20,177.32
Add: Transfer from retained earnings during the year	-
At March 31, 2016	20,177.32
Add: Transfer from retained earnings during the year	-
At March 31, 2017	20,177.32

## g) Retained earnings

	(₹ in lacs)
As at April 1, 2015	77,583.92
Profit for the year	44,517.83
Other comprehensive income	206.33
Payment of dividend	(8,696.77)
Payment of Dividend Distribution Tax (DDT)	(1,201.79)
Transfer to Debenture Redemption Reserve (DRR)	(1,667.00)
As at March 31, 2016	1,10,742.52
Profit for the year	36,272.58
Other comprehensive income	(316.49)
Transfer to Debenture Redemption Reserve (DRR)	(1,667.00)
As at March 31, 2017	1,45,031.61

## Note 19: Distribution made and proposed

### Cash dividends on equity shares declared and paid

	As at March 31, 2017	As at March 31, 2016
Final dividend for the year ended on March 31, 2015 (₹ 10 per share)	-	4,045.01
Dividend Distribution Tax (DDT) on final dividend	-	487.67
Interim dividend for the year ended on March 31, 2016 (₹ 11.50 per share)	-	4,651.76
Dividend Distribution Tax (DDT) on interim dividend	-	714.11
<b>Total</b>	-	<b>9,898.55</b>

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Proposed dividends on equity shares</b>			
Final cash dividend for the year ended on March 31, 2017: ₹ 11.50 per share (March 31, 2016 NIL, April 1, 2015 ₹ 10 per share)	4,651.77	-	4,045.01
Dividend Distribution Tax (DDT) on proposed dividend	946.98	-	487.67
<b>Total</b>	<b>5,598.75</b>	-	<b>4,532.68</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 20: Borrowings

(At amortised cost)

(₹ in lacs)

	Non-current			Current		
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Interest bearing loans and borrowings</b>						
<b>I. Secured</b>						
<b>i) Debentures</b>						
Non-convertible debentures (refer foot note 1)	19,950.00	19,944.00	-	-	-	-
<b>ii) Term loans</b>						
<b>a) Indian rupee loan from banks</b>						
HSBC Bank (refer foot note 2)	-	1,562.50	2,812.50	-	1,250.00	1,250.00
Export Import bank of India (refer foot note 3)	10,833.18	7,525.08	-	-	-	-
Kotak Mahindra Bank Limited (refer foot note 4)	2,943.21	2,935.27	-	-	-	-
Bank of India (refer foot note 5)	-	-	9,957.74	-	-	-
ICICI Bank Ltd. (refer foot note 6)	-	-	6,932.92	-	-	-
ICICI Bank Ltd. (refer foot note 7)	-	-	2,017.81	-	-	1,350.00
ICICI Bank Ltd. (refer foot note 8)	-	-	-	-	-	1,159.14
Bank of India (refer foot note 9)	-	-	1,412.33	-	-	1,500.00
IDBI Bank Ltd. (refer foot note 10)	-	-	376.10	-	-	376.94
Bank of Baroda (refer foot note 11)	-	-	749.62	-	-	1,000.00
HSBC Bank (refer foot note 12)	6,978.02	-	-	996.86	-	-
Export Import Bank of India (refer foot note 13)	-	-	488.65	-	489.98	979.95
<b>b) Foreign currency loan from banks</b>						
Export Import Bank of India (refer foot note 13)	-	-	686.12	-	728.77	1,375.00
ICICI Bank Ltd. - ECB Loan (refer foot note 14)	-	-	651.04	-	-	1,302.08
<b>c) Buyer's Credit (refer foot note 15 &amp; 16)</b>	26,615.20	21,225.66	1,800.16	-	-	-
<b>II. Unsecured</b>						
i) Public deposits (refer foot note 17)	0.20	2,153.76	3,450.06	-	1,262.09	4,154.33
ii) Deferred sales tax incentive (refer foot note 18)	3,030.80	3,388.86	3,830.90	358.06	442.06	364.10
	<b>70,350.61</b>	<b>58,735.13</b>	<b>35,165.95</b>	<b>1,354.92</b>	<b>4,172.90</b>	<b>14,811.54</b>
Less: amount classified under other financial liabilities (refer note 27)	-	-	-	(1,354.92)	(4,172.90)	(14,811.54)
<b>Total</b>	<b>70,350.61</b>	<b>58,735.13</b>	<b>35,165.95</b>	-	-	-

1. Non-Convertible Debentures (NCD) ₹ 20,000.00 lacs (March 31, 2016: ₹ 20,000.00 lacs, April 1, 2015: ₹ Nil) 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 Nashik Plant. As at March 31, 2017, the NCDs carry an interest at 9.25% p.a. and is repayable as under:

- NCD Series 1: ₹ 1,000.00 lacs (5% of the issue amount) repayable on July 31, 2019
- NCD Series 2: ₹ 3,000.00 lacs (15% of the issue

amount) repayable on July 31, 2020

- NCD Series 3: ₹ 3,000.00 lacs (15% of the issue amount) repayable on July 31, 2021
- NCD Series 4: ₹ 3,000.00 lacs (15% of the issue amount) repayable on July 31, 2022
- NCD Series 5: ₹ 4,000.00 lacs (20% of the issue amount) repayable on July 31, 2023
- NCD Series 6: ₹ 4,000.00 lacs (20% of the issue amount) repayable on July 31, 2024

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

- NCD Series 7: ₹ 2,000.00 lacs (10% of the issue amount) repayable on July 31, 2025
- 2. Term loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) of ₹ Nil (March 31, 2016: ₹ 2,812.50 lacs, April 1, 2015: ₹ 4,062.50 lacs) was pre-paid in full including interest thereon on June 21, 2016. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carried interest at 9.65% p.a. as on March 31, 2016.
- 3. Term Loan from Export Import Bank of India (EXIM) ₹ 10,900.00 lacs (March 31, 2016: ₹ 7,600.00 lacs, April 1, 2015: ₹ Nil) is 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. (The Company has created the first charge on the movable properties (except current assets) and the second charge on the current assets of the Company. The security on the immovable property of the Company situated at Halol is created). It carries interest at 9.50% p.a. as at March 31, 2017 and is repayable as under:
- 5. Term loan from Bank of India ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 10,000.00 lacs) was pre-paid in full including interest thereon on July 31, 2015. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup and Nashik plants. It carried interest at 11.50% p.a. as on March 31, 2015.
- 6. Term loan from ICICI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 7,000.00 lacs) was pre-paid in full including interest thereon on August 4, 2015. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup and Nashik plants. It carried interest at 11.50% p.a. as on March 31, 2015.
- 7. Term loan from ICICI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 3,375 lacs) was pre-paid in full including interest thereon on July 11, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 12% p.a. as on March 31, 2015.

Year	% of loan	Schedule of repayment
2018-19	5%	Over 4 equal quarterly instalments
2019-20	10%	Over 4 equal quarterly instalments
2020-21	15%	Over 4 equal quarterly instalments
2021-22	15%	Over 4 equal quarterly instalments
2022-23	15%	Over 4 equal quarterly instalments
2023-24	20%	Over 4 equal quarterly instalments
2024-25	20%	Over 4 equal quarterly instalments

- 4. Term Loan from Kotak Mahindra Bank Limited of ₹ 3,000.00 lacs (March 31, 2016: ₹ 3,000.00 lacs, April 1, 2015: ₹ Nil) is 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. (The Company has created the first charge on the movable properties (except current assets) and the second charge on the current assets of the Company. The security on the immovable property of the Company situated at Halol is created). It carries interest at 9.15% p.a. as at March 31, 2017 and is repayable as under:
- 8. Term loan from ICICI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 1,166.67 lacs) was repaid in full including interest thereon on August 10, 2015. It was secured by a first pari passu charge over the Company's immovable assets both present and future situated at Bhandup plant. It carried interest at 12% p.a. as on March 31, 2015.
- 9. Term loan from Bank of India ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 2,913.58 lacs) was pre-paid in full including interest thereon on July 31, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 11.50% p.a. as on March 31, 2015.

Year	% of loan	Schedule of repayment
2018-19	5%	Over 4 equal quarterly instalments
2019-20	10%	Over 4 equal quarterly instalments
2020-21	15%	Over 4 equal quarterly instalments
2021-22	15%	Over 4 equal quarterly instalments
2022-23	15%	Over 4 equal quarterly instalments
2023-24	20%	Over 4 equal quarterly instalments
2024-25	20%	Over 4 equal quarterly instalments

- 10. Term loan from IDBI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 753.38 lacs) was pre-paid in full including interest thereon on August 31, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 12% p.a. as on March 31, 2015.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

11. Term loan from Bank of Baroda of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 1,750.00 lacs) was repaid in full including interest thereon on August 31, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 12% p.a. as on March 31, 2015.
  12. Term Loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) of ₹ 8,000.00 lacs (March 31, 2016: ₹ Nil, April 1, 2015: ₹ Nil) is secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carries interest at 8.13% p.a. and 8.33% p.a. as on March 31, 2017 and is repayable in 16 quarterly instalments post moratorium of 12 months from the date of first disbursal. (The mortgage for the loan will be completed as a part of security trustee arrangement).
  13. Term loan in Indian Rupee & in foreign currency from Export Import Bank of India of ₹ Nil (March 31, 2016: ₹ 1,218.75 lacs, April 1, 2015: ₹ 3,532.43 lacs) has been repaid in full along with the interest as per the repayment schedule. Last instalment was paid on August 01, 2016. It was secured by first pari passu charge on Company's movable assets (except current assets) and immovable assets located at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company. Rupee loan carried interest at 10.45% p.a. and foreign currency loan carried interest at 6 months LIBOR plus 275 bps p.a. as on March 31, 2016.
  14. External Commercial Borrowing (ECB loan) from ICICI Bank Ltd. of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 1,953.12 lacs) was pre-paid in full including interest thereon on September 30, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 3 months LIBOR plus 250 bps p.a. as on March 31, 2015.
  15. 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 Company has created the first charge on the movable properties (except current assets) and the second charge on the current assets of the Company. The security on the immovable property of the Company situated at Halol is created). 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 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 54 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.)
  16. 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 creation of security for immovable properties situated at Nagpur is complete). 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 non-current portion and current maturities)**
17. Public deposits included under the long-term borrowings were pre-paid in full including interest thereon on September 30, 2016. As on March 31, 2017, an amount of ₹ 49.69 lacs (interest) and approx. ₹ 78.22 lacs (principal) remains unclaimed, in cases where the deposit holders have not encashed their warrants or claim is under dispute or the same are delayed or misplaced by the postal authorities. It carried interest in the range of 9.50% p.a. to 10.75% p.a. as on March 31, 2016.
  18. Interest-free deferred sales tax is repayable in ten equal annual instalment commencing from April 26, 2011 and ending on April 30, 2025.
  19. Outstanding balances shown in foot notes above, are grossed up to the extent of unamortised transaction cost.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 21 : Other financial liabilities

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non current</b>			
<b>At fair value through other comprehensive income</b>			
Derivative financial instrument	1,520.47	392.56	-
<b>At amortised cost</b>			
Deposits	145.70	145.20	142.20
<b>Total other financial liabilities</b>	<b>1,666.17</b>	<b>537.76</b>	<b>142.20</b>

## Note 22: Provisions

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current provisions</b>			
Provision for warranty (Refer foot note a)	776.58	150.91	405.34
Provision for compensated absences (Refer foot note b)	2,586.87	2,255.89	2,223.36
Provision for decommissioning liability (Refer foot note c)	54.69	49.06	44.00
<b>Total</b>	<b>3,418.14</b>	<b>2,455.86</b>	<b>2,672.70</b>
<b>Current provisions</b>			
Provision for warranty ( Refer foot note a)	2,608.65	2,881.63	1,904.06
Provision for gratuity (refer note 41)	1,016.68	215.27	2,054.04
Provision for compensated absences (Refer foot note b)	278.16	327.36	230.49
Provision for indirect Tax and tax matters (Refer foot note d)	346.61	380.00	320.00
Provision for tax and labour matters (Refer foot note d)	1,209.49	895.04	749.09
Provision for tax on dividend received from subsidiary	-	-	142.27
<b>Total</b>	<b>5,459.59</b>	<b>4,699.30</b>	<b>5,399.95</b>

### 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.

<b>Movement in provision for warranty</b>	(₹ in lacs)
<b>As at April 1, 2015</b>	<b>2,309.40</b>
Additions during the year	6,552.05
Utilised during the year	(5,828.91)
<b>As at March 31, 2016</b>	<b>3,032.54</b>
Additions during the year	5,837.00
Utilised during the year	(5,484.31)
<b>As at March 31, 2017</b>	<b>3,385.23</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## b) Provision for 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)
<b>As at April 1, 2015</b>	<b>2,453.85</b>
Additions during the year	374.66
Utilised during the year	(245.26)
<b>As at March 31, 2016</b>	<b>2,583.25</b>
Additions during the year	501.83
Utilised during the year	(220.05)
<b>As at March 31, 2017</b>	<b>2,865.03</b>

## c) Provision for decommissioning liability

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

Movement in provision for decommissioning liability	(₹ in lacs)
<b>As at April 1, 2015</b>	<b>44.00</b>
Additions during the year	5.06
Utilised during the year	-
<b>As at March 31, 2016</b>	<b>49.06</b>
Additions during the year	5.63
Utilised during the year	-
<b>As at March 31, 2017</b>	<b>54.69</b>

## d) Provision for indirect tax and labour matters

The Company is party to various lawsuits that are at administrative or judicial level or in their initial 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	(₹ in lacs)
<b>As at April 1, 2015</b>	<b>320.00</b>
Additions during the year	360.00
Utilised during the year	(300.00)
<b>As at March 31, 2016</b>	<b>380.00</b>
Additions during the year	276.61
Utilised during the year	(310.00)
<b>As at March 31, 2017</b>	<b>346.61</b>

Movement in provision for labour matters	(₹ in lacs)
<b>As at April 1, 2015</b>	<b>749.09</b>
Additions during the year	409.35
Utilised during the year	(263.40)
<b>As at March 31, 2016</b>	<b>895.04</b>
Additions during the year	334.23
Utilised during the year	(19.78)
<b>As at March 31, 2017</b>	<b>1,209.49</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 23: Income taxes and deferred taxes

The major components of income tax expense for the years ended March 31, 2017 and March 31, 2016 are

Balance Sheet

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non current tax assets</b>			
Advance payment of tax (net of provision)	3,951.65	3,734.13	2,369.84
<b>Current tax liabilities</b>			
Provision for income tax (net of advance tax)	2,057.36	307.54	333.45

## Statement of profit and loss

(₹ in lacs)

	2016-17	2015-16
Current tax	11,444.94	15,057.86
Deferred tax	5,789.80	3,203.87
MAT credit entitlement	(6,842.28)	-
<b>Income tax expense reported in the statement of profit and loss</b>	<b>10,392.46</b>	<b>18,261.73</b>

## Other Comprehensive Income (OCI) section

Deferred tax related to items recognised in OCI during the year

(₹ in lacs)

	2016-17	2015-16
Income tax effect on actuarial losses for Gratuity	167.50	(109.20)
Income tax effect on movement in cash flow hedges	130.51	18.67
<b>Income tax expense charged to OCI</b>	<b>298.01</b>	<b>(90.53)</b>

## Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2016 and March 31, 2017

(₹ in lacs)

	2016-17	2015-16
<b>Accounting profit before tax from continuing operations</b>	<b>46,665.04</b>	<b>62,779.56</b>
Income tax rate of 34.608%	16,149.84	21,726.75
Additional deduction on Research and Development (R&D) expense	(3,502.16)	(1,807.55)
Additional deduction on Investment Allowance	(2,224.37)	(2,024.59)
Income tax at special rate	(283.65)	(202.09)
Effect of exempt incomes	(0.01)	(369.39)
Others	(448.70)	(462.80)
<b>Non-deductible expenses for tax purposes</b>		
Depreciation on revaluation	250.93	457.63
Corporate Social Responsibility (CSR) expenses	174.95	267.64
Other non-deductible expenses	275.63	676.13
<b>At the effective income tax rate of 22.27% (March 31, 2016: 29.09%)</b>	<b>10,392.46</b>	<b>18,261.73</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Deferred tax

Deferred tax relates to the following

	Balance Sheet			Profit and Loss	
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015	2016-17	2015-16
Accelerated depreciation for tax purposes	(26,819.18)	(18,949.31)	(15,449.73)	7,869.87	3,499.58
Voluntary Retirement Scheme (VRS)	951.83	754.21	566.18	(197.61)	(188.03)
Provision for doubtful debts/advances	1,329.51	693.36	540.48	(636.15)	(152.87)
Others	4,237.21	2,692.90	2,554.27	(1,246.31)	45.19
<b>Deferred tax expense/(income)</b>	<b>(20,300.63)</b>	<b>(14,808.84)</b>	<b>(11,788.80)</b>	<b>5,789.80</b>	<b>3,203.87</b>
<b>Net deferred tax assets/(liabilities)</b>					

(₹ in lacs)

Reflected in the balance sheet as follows

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deferred tax assets	6,518.54	4,249.67	3,660.93
Deferred tax liabilities	(26,819.17)	(19,058.51)	(15,449.73)
<b>Deferred tax liabilities, net</b>	<b>(20,300.63)</b>	<b>(14,808.84)</b>	<b>(11,788.80)</b>

(₹ in lacs)

Reconciliation of deferred tax liabilities (net)

	As at March 31, 2017	As at March 31, 2016
<b>Opening balance as at April 1</b>	<b>(14,808.84)</b>	<b>(11,788.80)</b>
Tax income/(expense) during the period recognised in statement of profit and loss	(5,789.80)	(3,203.87)
Tax income/(expense) during the period recognised in other comprehensive income	298.01	(90.53)
Others	-	274.36
<b>Closing balance as at March 31</b>	<b>(20,300.63)</b>	<b>(14,808.84)</b>

(₹ in lacs)

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.

During the year ended March 31, 2017 and March 31, 2016, 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.

During the previous year, the increase of the corporate income tax rate from 33.99% to 34.608% which was effective from April 1, 2015. As a result, the relevant deferred tax balances have been remeasured at 34.608%.

## Note 24: Deferred revenue

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Opening balance</b>	<b>1,214.22</b>	<b>1,296.35</b>	<b>1,296.35</b>
Released to statement of Profit and Loss	(82.13)	(82.13)	-
<b>Closing balance</b>	<b>1,132.09</b>	<b>1,214.22</b>	<b>1,296.35</b>
Current	82.13	82.13	82.13
Non Current	1,049.96	1,132.09	1,214.22
<b>Total</b>	<b>1,132.09</b>	<b>1,214.22</b>	<b>1,296.35</b>

(₹ in lacs)

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, 2017 the estimated amount for deferred revenue amounted to ₹ 1,132.09 lacs (March 31, 2016: ₹ 1,214.22 lacs, April 1, 2015: ₹ 1,296.35 lacs)

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 25: Borrowings

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current</b>			
<b>Secured</b>			
Cash credit facilities from banks (repayable on demand) (Refer foot note a)	2,021.12	2,190.95	19.55
Export packing credit from banks (Refer foot note a)	1,297.10	-	7,012.59
Buyer's credit from banks (Refer foot note a)	-	-	16,731.72
<b>Unsecured</b>			
Term loans from banks (Refer foot note b)	-	-	1,825.27
Public deposit (Refer foot note c)	-	-	94.90
Commercial paper (Refer foot note d)	2,480.77	-	-
<b>Total</b>	<b>5,798.99</b>	<b>2,190.95</b>	<b>25,684.03</b>

Note :

- a) Working capital term loan, cash credit facilities from banks, export packing credit from banks and buyer's 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, Nashik and Halol Plants.

All short-term borrowings availed in Indian rupees during the current year carry interest in the range of 6.25% to 9.50% and all short-term borrowing availed in foreign currency during the year carry interest in the range of LIBOR plus 45 bps to LIBOR plus 50 bps. (LIBOR is set corresponding to the period of the loan)

- b) The term loan from banks is outstanding balance of the bill discounting facility availed from scheduled bank.
- c) The public deposits are accepted for the maturity of less than one year from the date of receipt.
- d) During the previous year, the Company had issued Commercial papers (total available limit ₹ 20,000.00 lacs) at regular intervals for working capital purposes with interest ranging from 6.13% to 7.55%. The outstanding amount as at March 31, 2017 is ₹ 2,480.77 lacs (As at March 31, 2016 ₹ NIL ; as at April 1, 2015 ₹ NIL).

## Note 26: Trade payables

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Dues to micro and small enterprises (Refer foot note a)			
Overdue	-	-	-
Not due	425.90	714.71	502.03
Other trade payables	73,830.39	61,502.90	61,958.18
Trade payables to related parties*	701.59	843.79	941.01
<b>Total</b>	<b>74,957.88</b>	<b>63,061.40</b>	<b>63,401.22</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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, 2017	As at March 31, 2016	As at April 1, 2015
i) The principal amount remaining unpaid to any supplier as at the end of each accounting year	425.90	714.71	502.03
ii) Interest due thereon remaining unpaid to any supplier as at the end of accounting year	11.73	11.73	6.76
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	-	-	236.71
iv) The amount of interest due and payable for the year	-	4.97	6.76
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.	11.73	6.76	-

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

b) Trade payables are non interest bearing and normally settled on 30 to 105 days.

## Note 27: Other financial liabilities

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current</b>			
<b>At fair value through other comprehensive income</b>			
Derivative financial instrument	315.11	-	-
<b>At amortised cost</b>			
Premium on forward contracts	-	135.23	401.15
Current maturities of long-term borrowings (refer note 20)	1,354.92	4,172.90	14,811.54
Interest accrued but not due on borrowings	275.72	231.31	700.94
Unpaid dividends	149.99	215.79	110.11
Unpaid matured deposits and interest accrued thereon	127.90	311.99	400.21
Payable to capital vendors	4,791.90	4,476.01	1,131.33
Deposits from dealers and others	30,756.54	29,666.08	29,905.34
<b>Total</b>	<b>37,772.08</b>	<b>39,209.31</b>	<b>47,460.62</b>

## Note 28: Other current liabilities

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Statutory dues	6,813.33	6,088.99	5,946.18
Advance received from customers	820.09	1,039.83	846.33
<b>Total</b>	<b>7,633.42</b>	<b>7,128.82</b>	<b>6,792.51</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 29: Revenue from operations

	(₹ in lacs)	
	2016-17	2015-16
Sale of products (Refer foot note a)	6,33,303.68	6,08,242.84
Other operating revenues:		
Royalty income	431.25	553.12
Sale of scrap	1,753.43	1,675.52
Government grants (Refer foot note b)	1,302.29	1,166.49
Other revenues	861.15	235.29
<b>Total</b>	<b>6,37,651.80</b>	<b>6,11,873.26</b>

Notes:

- a) Sale of goods includes excise duty collected from customers of ₹ 67,479.27 lacs (March 31, 2016: ₹ 66,367.74 lacs).
- b) The Company has recognised a government grant of ₹ Nil (March 31, 2016: ₹ 223.47 lacs) as refund of octroi duty under the package scheme of incentive received from Directorate of Industries, Government of Maharashtra for Nashik plant (refer note 42 d).

The Company has also recognised a government grant of ₹ 1,220.15 lacs (March 31, 2016: ₹ 860.89 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 recognised a government grant of ₹ 82.13 lacs (March 31, 2016: ₹ 82.13 lacs) relating to benefit received from Export Promotion Capital Goods (EPCG)

### Detail of sales under broad heads

	(₹ in lacs)	
	2016-17	2015-16
Automotive tyres	5,59,127.77	5,35,887.93
Tubes and others	74,175.91	72,354.91
<b>Sale of products</b>	<b>6,33,303.68</b>	<b>6,08,242.84</b>

## Note 30: Other income

	(₹ in lacs)	
	2016-17	2015-16
Net gain on disposal of property, plant and equipments	-	359.92
Interest income on		-
Bank deposits	48.90	117.12
Other interest income	797.56	721.52
Dividend income on		
Subsidiaries	1,639.23	1,167.86
Current investments	0.01	1,067.34
Other non-operating income	1,291.36	1,015.40
Net gain on disposal of investments*	282.82	159.01
Foreign exchange fluctuation (net)	85.85	-
Gain on mark to market forwards#	-	0.34
<b>Total</b>	<b>4,145.73</b>	<b>4,608.51</b>

\* Includes fair value gain/ (loss) as at March 31, 2017 amounting to ₹ (176.20) lacs ( March 31, 2016 ₹ 4.29 lacs)

# Gain on mark to market forwards includes fair value loss on financial instruments that did not qualify for hedge accounting.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 31: Cost of material consumed

	(₹ in lacs)	
	2016-17	2015-16
<b>Raw Material</b>		
Opening stock raw material	20,498.11	22,513.23
Add: Purchases	3,53,110.34	2,93,363.16
	<b>3,73,608.45</b>	<b>3,15,876.39</b>
Less: Closing stock	(42,720.24)	(20,498.11)
<b>Total</b>	<b>3,30,888.21</b>	<b>2,95,378.28</b>

	(₹ in lacs)	
	2016-17	2015-16
<b>Details of raw materials consumed</b>		
Rubber	1,74,709.92	1,45,197.49
Fabrics	50,136.88	47,668.37
Carbon black	40,338.13	41,915.43
Chemicals	36,731.32	33,743.31
Others	28,971.96	26,853.68
<b>Total</b>	<b>3,30,888.21</b>	<b>2,95,378.28</b>

	(₹ in lacs)		
	As at March 31 2017	As at March 31 2016	As at April 1, 2015
<b>Details of closing inventories</b>			
Rubber	32,700.84	11,019.25	12,418.78
Fabrics	3,257.92	3,128.35	2,548.09
Carbon black	1,635.56	1,575.71	2,122.76
Chemicals	2,703.42	2,718.61	3,055.90
Others	2,422.50	2,056.18	2,367.70
<b>Total (refer note 9(a))</b>	<b>42,720.24</b>	<b>20,498.10</b>	<b>22,513.23</b>

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

	(₹ in lacs)	
	2016-17	2015-16
<b>Opening Stock</b>		
Opening work-in-progress	2,483.83	2,024.48
Opening finished goods	32,844.07	33,837.52
Opening traded goods	2,889.42	1,904.52
	<b>38,217.32</b>	<b>37,766.52</b>
<b>Closing Stock</b>		
Closing work-in-progress	3,148.70	2,483.83
Closing finished goods	40,779.05	32,844.07
Closing traded goods	2,404.63	2,889.42
	<b>46,332.38</b>	<b>38,217.32</b>
	(8,115.06)	(450.80)
Differential excise duty on opening and closing stock of finished goods	499.95	218.53
<b>Total change in inventories</b>	<b>(7,615.11)</b>	<b>(232.27)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 33: Employee benefit expense

(₹ in lacs)

	2016-17	2015-16
Salaries, wages and bonus	31,538.39	31,051.67
Contribution to provident and other funds	1,761.11	1,672.76
Gratuity expenses (refer note 41)	514.10	495.91
Welfare expenses	4,571.40	3,685.06
<b>Total</b>	<b>38,385.00</b>	<b>36,905.40</b>

## Note 34: Finance costs

(₹ in lacs)

	2016-17	2015-16
Interest on debts and borrowings	7,509.74	8,322.67
Other finance charges	82.78	739.21
<b>Total interest expense</b>	<b>7,592.52</b>	<b>9,061.88</b>
Unwinding of decommissioning liability	5.63	5.06
Unwinding of discount on provision of warranty	348.74	264.70
<b>Total finance cost</b>	<b>7,946.89</b>	<b>9,331.64</b>

## Note 35: Depreciation and amortization expense

(₹ in lacs)

	2016-17	2015-16
Depreciation of tangible assets (refer note 3)	13,232.34	10,031.62
Amortization of intangible assets (refer note 4)	968.50	652.53
<b>Total</b>	<b>14,200.84</b>	<b>10,684.15</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 36: Other expenses

	(₹ in lacs)	
	2016-17	2015-16
Conversion charges	38,508.50	37,330.13
Stores and spares consumed	4,725.68	4,389.89
Power and fuel	17,790.15	15,588.48
Freight and delivery charges	26,564.68	25,027.67
Rent for premises	443.50	365.35
Lease rent for vehicles	128.90	106.41
Rates and taxes	275.67	442.72
Insurance	311.98	382.37
Repairs and maintenance:		
Machinery	4,647.41	5,131.97
Buildings	569.05	600.26
Others	59.25	47.13
Travelling and conveyance	3,046.07	2,760.28
Printing and stationery	224.71	201.01
Directors' fees (refer note 43)	65.50	43.75
Payment to auditors (Refer foot note 1)	84.03	103.11
Cost audit fees	2.79	2.20
Advertisement and sales promotion expenses	11,787.68	10,825.71
Rebates and discounts	425.54	438.55
Commission on sales	340.48	343.45
Communication expenses	855.95	792.36
Bad debts written off	22.44	6.26
Provision for doubtful debts and advances	897.95	441.97
Loss on disposal of property, plant and equipment (net)	554.58	-
Legal charges	248.48	301.69
Foreign exchange fluctuations (net)	-	434.43
Professional and consultancy charges	2,499.82	2,500.74
Commission to directors (refer note 43)	481.00	625.00
Training and conference expenses	1,116.22	963.76
Corporate Social Responsibility (CSR) expenses (refer foot note 2)	1,011.01	773.35
Bank charges	726.37	614.40
Miscellaneous expenses	9,844.45	8,726.42
<b>Total</b>	<b>1,28,259.84</b>	<b>1,20,310.82</b>

## Notes

### 1) Payments to the auditor

	(₹ in lacs)	
	2016-17	2015-16
<b>As auditor</b>		
Audit fee*	42.50	40.00
Limited review	21.00	21.00
<b>In other capacity</b>		
Other services (including certification fees)	17.12	35.57
Reimbursement of expenses	3.41	6.54
<b>Total payment to auditor</b>	<b>84.03</b>	<b>103.11</b>

\* Exclusive of service tax.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 2) Details of Corporate Social Responsibility (CSR) expenditure:

	(₹ in lacs)	
	2016-17	2015-16
a) Gross amount required to be spent during the year	1,006.67	772.32

	(₹ in lacs)		
	In cash	Yet to be paid in cash	Total
b) Amount spent during the year ended on March 31, 2017:			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	1,011.01	-	1,011.01
<b>Total</b>	<b>1,011.01</b>	<b>-</b>	<b>1,011.01</b>

	(₹ in lacs)		
	In cash	Yet to be paid in cash	Total
c) Amount spent during the year ended on March 31, 2016:			
i) Construction/acquisition of any asset	-	-	-
ii) On purposes other than (i) above	773.35	-	773.35
<b>Total</b>	<b>773.35</b>	<b>-</b>	<b>773.35</b>

## Note 37: Exceptional items

	(₹ in lacs)	
	2016-17	2015-16
Voluntary Retirement Scheme (VRS)	1,332.55	1,139.99
<b>Total</b>	<b>1,332.55</b>	<b>1,139.99</b>

The Company had introduced VRS for employees across the Company. During the year, 93 employees (March 31, 2016: 96 employees) opted for the VRS.

## Note 38: Research and development costs

	(₹ in lacs)	
	2016-17	2015-16
Capital expenditure	7,581.31	116.14
Revenue expenditure	5,594.12	5,106.78
<b>Total</b>	<b>13,175.43</b>	<b>5,222.92</b>

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 the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

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

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

	(₹ in lacs)	
	2016-17	2015-16
Profit after tax for calculation of basic and diluted EPS	36,272.58	44,517.83
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	89.67	110.06
Diluted earnings per share	89.67	110.06

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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 Nashik 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, 2017 was ₹ 54.69 lacs (March 31, 2016: ₹ 49.06 lacs, April 1, 2015: ₹ 44.00 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



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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. See Note 47 and 48 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)		
Particulars	2016-17	2015-16
Contribution to Provident fund (Government)	1,554.70	1,468.79

### 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	2016-17	2015-16
1.	Opening present value of defined benefit obligation	8,708.77	8,403.20
2.	Current service cost (refer note 33)	514.10	495.91
3.	Interest cost	671.98	626.40
4.	Benefits paid	(761.44)	(620.23)
5.	Acquisition adjustment (transfer out)	(31.95)	-
6.	Remeasurement (gain) / loss in other comprehensive income	-	-
	Actuarial changes arising from changes in financial assumption	685.47	60.07
	Experience adjustments	(244.28)	(224.65)
7.	Net transfer in / (out) (including the effect of any business combinations / divestures)	-	(31.93)
8.	Closing present value of obligation	9,542.65	8,708.77

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## ii) Changes in Fair value of Plan Assets during the year ended March 31, 2017

(₹ in lacs)

Sr. No.	Particulars	As at March 31, 2017	As at March 31, 2016
1.	Fair value of plan assets as at April 1	8,493.49	6,350.32
2.	Expected return on plan assets	657.78	499.56
3.	Contributions made	210.87	2,112.89
4.	Benefits paid	(761.44)	(620.23)
5.	Acquisition adjustment (Transfer Out)	(31.95)	-
6.	Return on plan assets, excluding amount recognised in net interest expense	(42.80)	150.95
7.	Fair value of plan assets as at March 31	8,525.95	8,493.49

## iii) Expenses recognised during the period

(₹ in lacs)

Particulars	2016-17	2015-16
In Income Statement	528.30	622.75
In Other Comprehensive Income	483.99	(315.53)
<b>Total Expenses recognised during the period</b>	<b>1,012.29</b>	<b>307.22</b>

## iv) Expenses recognized in the Income Statement

(₹ in lacs)

Sr. No.	Particulars	2016-17	2015-16
1.	Current service cost	514.10	495.91
2.	Interest cost on benefit obligation	14.20	126.84
	<b>Net benefit expense</b>	<b>528.30</b>	<b>622.75</b>

## v) Expenses recognized in Other Comprehensive Income (OCI)

(₹ in lacs)

Particulars	Gratuity (Funded) 2016-17	Gratuity (Funded) 2015-16
Remeasurement arising from changes in demographic assumptions	-	-
Remeasurement arising from changes in financial assumptions	685.47	60.07
Remeasurement arising from changes in experience variance	(244.27)	(224.65)
Return on plan assets, excluding amount recognized in net interest expense	42.79	(150.95)
<b>Components of defined benefit costs recognized in other comprehensive income</b>	<b>483.99</b>	<b>(315.53)</b>

## vi) Net Assets / (Liability) as at March 31, 2017

(₹ in lacs)

Sr.No.	Particulars	As at March 31, 2017	As at March 31, 2016
1.	Closing Present value of the defined benefit obligation	9,542.65	8,708.77
2.	Closing Fair value of plan Assets	8,525.95	8,493.49
3.	Net Assets / (Liability) recognized in the Balance Sheet	(1,016.70)	(215.28)
4.	Effect of Asset Ceiling	-	-

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## vii) Actual return on plan assets for the year ended March 31, 2017

(₹ in lacs)

Sr. No.	Particulars	As at March 31, 2017	As at March 31, 2016
1.	Expected return on plan assets	657.78	499.56
2.	Actuarial gain / (loss) on plan assets	(42.80)	150.95
	<b>Actual return on plan assets</b>	<b>614.98</b>	<b>650.51</b>

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

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Investment with Insurer	100%	100%

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

### Description of risk exposures

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

#### Interest rate risk

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

#### Liquidity risk

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

#### Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants

from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

#### Demographic risk

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

#### Regulatory risk

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

#### Asset liability mismatching or market risk

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

#### Investment risk

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

Particulars	2016-17	2015-16
Discount rates (per annum)	6.80%	7.75%
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, 2017	As at March 31, 2016
Defined Benefit Obligation (Base)	9,542.65	8,708.77

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

(₹ in lacs)

Particulars	2016-17		2015-16	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	10,368.64	8,822.23	9,372.03	8,070.31
(% change compared to base due to sensitivity)	8.7%	(7.5%)	8.0%	(7.0%)
Salary Growth Rate (- / + 1%)	8,818.38	10,357.46	8,066.62	9,372.03
(% change compared to base due to sensitivity)	(7.6%)	8.5%	(7.0%)	8.0%
Attrition Rate (- / + 1%)	9,617.57	9,483.89	8,598.73	8,728.88
(% change compared to base due to sensitivity)	0.8%	(0.6%)	(0.9%)	0.6%
Mortality Rate (- / + 1%)	9,543.07	9,542.22	8,676.15	8,679.81
(% 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 ₹ 1,582.13 lacs.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016
Within the next 12 months (next annual reporting period)	994.90	1,383.65
Between 2 and 5 years	3,558.90	3,219.91
Between 5 and 10 years	4,563.78	4,131.69
Beyond 10 years	9,610.93	9,257.48
<b>Total expected payments</b>	<b>18,728.51</b>	<b>17,992.73</b>

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity out flows happening during the year (subject to sufficiency of funds under the policy). The policy, 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 ₹ 128.90 lacs (March 31, 2016 ₹ 106.41 lacs) has been charged to Statement of Profit and Loss.

Future minimum rentals payable under non-cancellable operating leases as at March 31, 2017 are, as follows:

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Within one year	114.54	83.38	88.53
After one year but not more than five years	152.79	123.86	81.13
More than five years	-	-	-

### b. Contingent Liabilities

(to the extent not provided for)

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>1. Direct and indirect taxation matters</b>			
Income tax	4,316.65	6,321.78	8,492.54
Wealth tax	6.73	6.73	6.73
Excise duty / Service tax	7,879.34	8,168.21	8,846.44
Sales tax	7,024.20	5,310.67	4,554.66
Bills discounted with banks	7,294.72	8,723.33	8,698.31
<b>2. Claims against the Company not acknowledged as debts*</b>			
In respect of labour matters	678.39	612.20	353.43
Rental disputes	180.00	180.00	180.00
Customer disputes	446.00	502.08	446.00
Vendor disputes	293.83	293.83	293.83
<b>3. Other claims</b>	3,207.11	150.65	199.85
<b>4. Corporate Guarantee upto ₹ 22,800.00 lacs to Ceat Specialty Tyres Limited as a collateral security for raising the term loans</b>	13,476.98	-	-

\* In respect of above matters, future cash outflows are determinable only on receipt of judgements pending at various forums / authorities. The amount of expected reimbursement to the Company is not ascertainable as on the Balance Sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## c. Commitments

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments)	10,320.40	24,620.99	23,100.43

## d. Others

The Company has availed the Sales Tax Deferral Loan and Octroi refund from the Directorate of Industries for Nashik 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 Nashik 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. (Refer Note 29(b)).

## e. Demands and disputes considered as "Remote" by the Company

- 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 ₹ 8,655.63 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 April-2015. 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.
- 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)



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Related parties with whom transactions have taken place during the year

- CEAT Kelani Holdings (Pvt.) Limited (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)
- 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)
- Swallow Associates LLP ("Swallow") (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)
- Palacino Properties LLP ("Palacino") (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)
- 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. Subba Rao Amarthaluru, Chief Financial Officer up to July 22, 2015
  - v) Mr. Manoj Jaiswal, Chief Financial Officer up to January 15, 2017.
  - vi) Mr. Kumar Subbiah, Chief Financial Officer w.e.f. from January 16, 2017.
  - vii) Mr. H. N. Singh Rajpoot, Company Secretary up to August 31, 2016.
  - viii) Ms. Shruti Joshi, Company Secretary w.e.f. from September 1, 2016.
  - ix) Mr. Paras K. Chowdhary, Independent Director
  - x) Mr. Vinay Bansal, Independent Director
  - xi) Mr. Hari L Mundra, Independent Director
  - xii) Mr. Atul Choksey, Independent Director
  - xiii) Mr. Mahesh Gupta, Independent Director
  - xiv) Mr. Haigreve Khaitan, Independent Director
  - xv) Ms. Punita Lal, Independent Director
  - xvi) Mr. S.Doreswamy, Independent Director
  - xvii) Mr. Kantikumar Poddar, Independent Director (up to February 9, 2017)
  - xviii) Mr. Ranjit Pandit, Independent director

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 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	2016-17	2015-16
Reimbursement / (recovery) of expenses (net)	ACPL	(21.48)	(35.36)
	CKITL	(27.66)	1.18
	Rado	429.38	714.45
	Raychem	(18.25)	(34.46)
	KEC	(53.25)	(65.48)
	Amber	1.48	1.90
	CSTL	(56.88)	(5.19)
	Zensar	(3.44)	(1.19)
	RPGE	171.44	145.92
	RPGLS	(30.64)	(29.91)
	<b>Total</b>	<b>390.70</b>	<b>691.86</b>
Dividend income	ACHL	1,639.23	1,167.86
Royalty income	ACPL	119.29	199.13
	CKITL	131.08	175.52
	ATPL	65.12	34.35
	CKRL	115.76	144.12
	<b>Total</b>	<b>431.25</b>	<b>553.12</b>
Purchase of traded goods	ACPL	2,741.39	2,123.85
	CKITL	110.84	7.12
	ATPL	-	14.74
	CKRL	405.85	867.94
	<b>Total</b>	<b>3,258.08</b>	<b>3,013.65</b>
Sales	CKITL	1,321.74	1,195.01
	CEAT AKKHAN Limited	2,984.20	3,386.35
	CSTL	18,490.71	9,543.80
	ACPL	53.79	-
	<b>Total</b>	<b>22,850.44</b>	<b>14,125.16</b>
Conversion charges paid	Rado	883.55	1,191.76
Loan given	CSTL	7,150.00	2,100.00
Repayment of loan given	Rado	-	117.50
	CSTL	5,550.00	-
	<b>Total</b>	<b>5,550.00</b>	<b>117.50</b>
Interest income on loan	Rado	-	4.21
	CSTL	390.81	225.41
	<b>Total</b>	<b>390.81</b>	<b>229.62</b>
Investments (including share application money) made during the year	CSTL	1,000.00	10,000.00
	Rado	-	350.00
	<b>Total</b>	<b>1,000.00</b>	<b>10,350.00</b>
Technical development fees received	ATPL	55.00	-
Rent paid on residential premises / guest house	Allwin	15.00	15.00
	KEC	3.35	1.04
	Amber	15.00	15.00
	Atlantus	18.00	18.00
	Chattarpati	43.20	43.20
	B N Elias	12.00	12.00
	Zensar	9.18	15.64
	<b>Total</b>	<b>115.73</b>	<b>119.88</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

Transactions	Related Party	2016-17	2015-16
Building maintenance recovery	Raychem	95.49	95.49
	KEC	474.28	430.42
	CSTL	24.73	22.50
	RPGE	69.62	-
	RPGLS	100.81	125.21
	<b>Total</b>	<b>764.93</b>	<b>673.62</b>
Rent recovery on residential premises	KEC	55.88	42.55
	Raychem	5.06	-
	<b>Total</b>	<b>60.94</b>	<b>42.55</b>
Purchase of capex/spares	Raychem	86.57	111.75
	KEC	85.36	425.16
	Vinar	230.35	150.98
	<b>Total</b>	<b>402.28</b>	<b>687.89</b>
Consultancy fees paid	Zensar	52.50	57.14
Legal fees paid	Khaitan & Co.	112.32	11.69
Licence fees paid	RPGE	550.00	534.63
Sale of spares	CKITL	19.03	-
Advances recovered	Rado	-	84.00
Facility agreement recovery	CSTL	1,589.48	1,023.66
Sale of land	CSTL	-	6,000.00

## c) Balance outstanding at the year end

(₹ in lacs)

Amount due to / from related party	Related party	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Advances recoverable in cash or kind	ACPL	22.67	16.81	19.56
	CEAT AKKHAN Limited	227.95*	232.54	219.69
	CKITL	46.02	-	-
	CKRL	2.52	-	5.02
	Raychem	13.70	2.95	11.49
	KEC	80.73	23.74	53.41
	CSTL	238.87	204.53	-
	ATPL	16.11	-	70.37
	RPGE	80.07	57.20	32.46
	RPGLS	27.88	14.26	25.10
	<b>Total</b>	<b>756.52</b>	<b>552.03</b>	<b>437.10</b>
Advance given	Rado	-	-	84.00
Royalty receivable	ACPL	51.95	73.04	51.31
	CKITL	61.70	80.78	83.95
	CKRL	59.42	67.54	65.37
	ATPL	29.31	18.56	28.67
	<b>Total</b>	<b>202.38</b>	<b>239.92</b>	<b>229.30</b>
Trade payables	ACPL	566.06	562.82	721.45
	CKRL	36.71	183.86	113.81
	Rado	40.51	86.22	92.61
	Raychem	-	9.71	0.25
	CKITL	33.69	1.18	-
	B N Elias	0.90	-	0.90
	Atlantus	1.35	-	1.35
	Chattarpoti	3.24	-	3.24
	Allwin	1.31	-	1.28

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

		(₹ in lacs)		
Amount due to / from related party	Related party	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
	Pallacino	-	-	0.68
	KEC	-	-	2.93
	Zensar	17.82	3.43	2.51
	<b>Total</b>	<b>701.59</b>	<b>847.22</b>	<b>941.01</b>
Trade receivables	CKITL	158.80	382.56	324.61
	CSTL	1,537.36	1,065.13	0.06
	CEAT AKKHAN Limited	58.46	2.90	290.32
	ACPL	27.58	-	-
	<b>Total</b>	<b>1,782.20</b>	<b>1,450.59</b>	<b>614.99</b>
Loans given	CSTL	5,000.00	3,400.00	1,300.00
	Rado	-	-	117.50
	<b>Total</b>	<b>5,000.00</b>	<b>3,400.00</b>	<b>1,417.50</b>
Interest receivable	Rado	-	-	26.02
Payable against purchase of capital asset	Vinar	-	30.59	-

- \* The receivable from CEAT AKKhan includes money receivable for expenses reimbursement and technical fees. In current year, provision amounting to ₹ 227.95 lacs has been created against the outstanding amount.

## d) Transactions with key management personnel and their relatives

		(₹ in lacs)	
Sr. No.	Related party	2016-17	2015-16
1)	Mr. Harsh Vardhan Goenka		
	Commission	432.25	571.00
	Director sitting fees	6.00	4.50
	Dividend	-	28.80
	<b>Total</b>	<b>438.25</b>	<b>604.30</b>
2)	Mr. Anant Vardhan Goenka		
	Salaries	258.83	241.86
	Allowances and perquisites	10.34	7.71
	Performance bonus*	73.92	54.93
	Contribution to Provident & Superannuation fund	22.95	20.76
	Dividend	-	3.05
	Leave encashment	1.44	0.27
	<b>Total</b>	<b>367.48</b>	<b>328.58</b>
3)	Mr. Arnab Banerjee		
	Salaries	177.82	163.66
	Allowances and perquisites	2.38	0.43
	Performance bonus*	55.77	43.58
	Contribution to Provident & Superannuation fund	9.78	8.82
	Leave encashment	0.90	0.23
	<b>Total</b>	<b>246.65</b>	<b>216.72</b>
4)	Mr. Manoj Jaiswal		
	Salaries	100.00	82.96
	Allowances and perquisites	0.15	0.10
	Performance bonus*	49.48	20.00
	Contribution to Provident & Superannuation fund	5.34	4.51
	Leave encashment	2.23	1.79
	<b>Total</b>	<b>157.20</b>	<b>109.36</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

		(₹ in lacs)	
Sr. No.	Related party	2016-17	2015-16
5)	Mr. Subba Rao Amarthaluru	-	-
	Salaries	-	61.29
	Allowances and perquisites	-	0.05
	Performance bonus*	-	33.01
	Contribution to Provident & Superannuation fund	-	4.42
	Leave encashment	-	3.86
	<b>Total</b>	-	<b>102.63</b>
6)	Mr. Kumar Subbiah		
	Salaries	27.87	-
	Allowances and perquisites	-	-
	Performance bonus*	-	-
	Contribution to Provident & Superannuation fund	1.14	-
	Leave encashment	1.15	-
	<b>Total</b>	<b>30.16</b>	-
7)	Mr. H. N. Singh Rajpoot		
	Salaries	23.10	54.37
	Allowances and perquisites	-	0.32
	Performance bonus*	18.21	15.87
	Contribution to Provident & Superannuation fund	2.74	6.31
	Leave Encashment	1.22	0.08
	<b>Total</b>	<b>45.27</b>	<b>76.95</b>
8)	Ms. Shruti Joshi		
	Salaries	18.66	-
	Allowances and perquisites	0.11	-
	Performance bonus	-	-
	Contribution to Provident & Superannuation fund	0.88	-
	Leave Encashment	0.21	-
	<b>Total</b>	<b>19.86</b>	-
9)	Mr. Paras K. Chowdhary		
	Commission	5.50	6.00
	Director sitting fees	6.65	5.00
	<b>Total</b>	<b>12.15</b>	<b>11.00</b>
10)	Mr. Hari L. Mundra		
	Commission	5.50	6.00
	Director sitting fees	7.65	5.25
	<b>Total</b>	<b>13.15</b>	<b>11.25</b>
11)	Mr. Vinay Bansal		
	Commission	5.50	6.00
	Director sitting fees	9.20	6.10
	<b>Total</b>	<b>14.70</b>	<b>12.10</b>
12)	Mr. Atul C. Choksey		
	Commission	5.50	6.00
	Director sitting fees	6.00	3.75
	<b>Total</b>	<b>11.50</b>	<b>9.75</b>
13)	Mr. Mahesh S. Gupta		
	Commission	5.50	6.00
	Director sitting fees	9.50	6.65
	<b>Total</b>	<b>15.00</b>	<b>12.65</b>
14)	Mr. Haigreve Khaitan		
	Commission	5.50	6.00
	Director sitting fees	5.00	0.75
	<b>Total</b>	<b>10.50</b>	<b>6.75</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

Sr. No.	Related party	2016-17	2015-16
15)	Ms. Punita Lal		
	Commission	5.50	6.00
	Director sitting fees	6.00	4.50
	<b>Total</b>	<b>11.50</b>	<b>10.50</b>
16)	Mr. S. Doreswamy		
	Commission	5.50	6.00
	Director sitting fees	9.50	4.25
	<b>Total</b>	<b>15.00</b>	<b>10.25</b>
17)	Mr. Kantikumar Poddar		
	Commission	4.75	6.00
	Director sitting fees	-	3.00
	<b>Total</b>	<b>4.75</b>	<b>9.00</b>
	<b>Grand Total</b>	<b>1,413.12</b>	<b>1,531.79</b>

\* 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, 2017	As at March 31, 2016	As at April 1, 2015
Commission Payable	Mr. H. V. Goenka	432.25	571.00	415.40
	Mr. Paras K. Chowdhary	5.50	6.00	5.00
	Mr. Hari L. Mundra	5.50	6.00	5.00
	Mr. Vinay Bansal	5.50	6.00	5.00
	Mr. Atul C. Choksey	5.50	6.00	5.00
	Mr. Mahesh S. Gupta	5.50	6.00	5.00
	Mr. Haigreve Khaitan	5.50	6.00	5.00
	Ms. Punita Lal	5.50	6.00	4.60
	Mr. S. Doreswamy	5.50	6.00	5.00
	Mr. K. R. Podar	4.75	6.00	5.00
<b>Total</b>		<b>481.00</b>	<b>625.00</b>	<b>460.00</b>

### Terms and conditions of transactions with related parties

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Loans 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 ₹ 7,150.00 lacs (March 31, 2016: 2,100.00 lacs). Loan repaid during the year 5,550.00 lacs (March 31, 2016: ₹ Nil) The loan has been utilized for the purpose it was granted. Terms of both the facilities are as follows:

Facility	Outstanding as on March 31, 2017	Terms of repayment	Interest rate
Short term bridge finance	₹ 3,400.00 lacs	Repayment of entire loan by April 30, 2017 subject to an option of roll over of 3 months.	April 1, 2016 to July 31, 2016- 10.00% p.a. August 1, 2016 to March 31, 17- 9.50% p.a.
Revolving credit facility	₹ 1,600.00 lacs	On demand	11.20% p.a.

Maximum outstanding during the year as loan to CSTL was ₹ 5,000.00 lacs. (March 31, 2016: ₹ 3,400.00 lacs)

- ii. CEAT has given a corporate guarantee upto ₹ 22,800.00 lacs to Ceat Specialty Tyres Limited as a collateral security for raising the term loans. The outstanding guarantee as on March 31, 2017 is ₹ 13,476.98 lacs.

## Capital and other commitments with related parties

- i. 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, 2017	As at March 31, 2016	As at April 1, 2015
Vinar	66.63	220.06	-
KEC	0.15	16.72	0.06

## Note 44: Segment information

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

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

## Information about products

(₹ in lacs)

Particulars	2016-17			2015-16		
	Automotive Tyres	Tubes and others	Total	Automotive Tyres	Tubes and others	Total
Revenue from sale of products	5,59,127.77	74,175.91	6,33,303.68	5,35,887.93	72,354.91	6,08,242.84

## Information about geographical areas

(₹ in lacs)

Particulars	2016-17			2015-16		
	In India	Outside India	Total	In India	Outside India	Total
Revenue from sale of products	5,57,447.56	75,856.12	6,33,303.68	5,34,676.10	73,566.74	6,08,242.84
Non-current assets	2,58,881.04	-	2,58,881.04	2,25,239.20	-	2,25,239.20

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

During the year 2016-17 and 2015-16, no single external customer has generated revenue of 10% or more of the Company's total revenue.

During the year 2016-17 and 2015-16, no single country has generated 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.

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 have been designated as effective hedging instrument from April 1, 2016 onwards.

### 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.

(Amount in lacs)

Derivative	Currency	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015		Purpose
		FC	₹	FC	₹	FC	₹	
Forward Contract to sell foreign Currency	USD	79.69	5,168.41	113.91	7,546.82	123.00	7,687.50	Hedge of Foreign Currency sales
	USD	147.50	9,566.11	116.00	7,685.29	291.00	18,187.50	Hedge of Foreign Currency High probable sales
Forward Contract to buy foreign Currency	USD	82.73	5,365.39	80.36	5,324.05	83.22	5,201.25	Hedge of foreign currency purchase
	EURO	-	-	3.63	273.78	-	-	
	USD	12.75	827.04	27.65	1,831.88	247.51	15,469.38	Hedge of Foreign Currency Buyer's Credit
	EURO	-	-	9.08	684.83	2.71	182.03	
	USD	228.17	14,797.79	193.76	12,837.08	42.14	2,633.75	Hedge of Foreign Currency Firm Commitment - Pos
Cross Currency Interest Rate Swap	USD	-	-	11.00	728.78	33.00	2,062.50	Hedge of Term Loan
Principal only Swap	USD	-	-	-	-	31.25	1,953.13	Hedge of Term Loan
Cross Currency Interest Rate Swap*	USD	363.21	23,555.90	246.09	16,304.08	30.98	1,936.25	Hedge of Foreign Currency Buyer's Credit
	EURO	33.03	2,290.18	33.03	2,491.18	-	-	
Options contract to buy foreign currency**	USD	5.74	372.57	-	-	17.18	1,073.75	Hedge of Foreign Currency Buyer's Credit

\* CCIRS has been designated as an effective hedging instrument w.e.f. April 1, 2016

\*\* Options outstanding as on March 2015 were not designated as effective hedging instrument

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

(All amounts in foreign currency in lacs)

Unhedged foreign currency Exposure*	Currency	2016-17	2015-16	2014-15
Short Term borrowing	USD	20.00	-	96.20
	USD	20.19	67.30	56.03
	EURO	13.70	11.86	4.51
Trade Payables	JPY	764.07	42.11	6.30
	GBP	0.43	0.79	-
	CHF	0.15	-	-
	USD	18.20	99.14	55.20
Trade Receivables	EURO	7.21	7.97	1.36
	JPY	-	38.80	-
	GBP	-	0.77	-
Advances Recoverable in cash or kind	USD	-	5.46	8.68
Interest Accrued and not due on borrowings	USD	-	-	0.40

\* 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 the statement of profit and loss.

The cash flow hedges of the expected future sales / recognized sales receivables as at March 31, 2017 were assessed to be highly effective and a net unrealised gain of ₹ 367.27 lacs, with a deferred tax liability of ₹ 127.10 lacs relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges of the expected future sales as at March 31, 2016 were assessed to be highly effective and an unrealised gain of ₹ 317.45 lacs with a deferred tax liability of ₹ 109.86 lacs was included in OCI in respect of these contracts.

The cash flow hedges of the expected future purchases / recognised purchase payables as at March 31, 2017 were

assessed to be highly effective, and as at March 31, 2017, a net unrealised loss of ₹ 682.42 lacs with a related deferred tax asset of ₹ 236.17 lacs was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the expected future purchases/ recognised purchase payables as at March 31, 2016 were also assessed to be highly effective and an unrealised loss of ₹ 329.98 lacs with a deferred tax asset of ₹ 114.20 lacs was included in OCI in respect of these contracts.

The Cash Flow hedges of the Buyer's Credit outstanding as on March 31, 2017 were assessed to be highly effective, and as at March 31, 2017, a net unrealised loss of ₹ 1,520.47 lacs with a related deferred tax asset of ₹ 526.20 lacs was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the Buyer's Credit outstanding as on March 31, 2016 were assessed to be ineffective.

## 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, 2017		As at March 31, 2016		As at April 1, 2015	
	Carrying values	Fair values	Carrying values	Fair values	Carrying values	Fair values
<b>Financial assets</b>						
<b>At amortised cost</b>						
Loans (Non-current)	195.42	195.42	273.92	273.92	269.57	269.57
Other financial assets (Non-current)	289.17	289.17	591.90	591.90	641.96	641.96
<b>At fair value through other comprehensive income</b>						
Other financial assets (Non-current)	-	-	-	-	348.18	348.18
Other financial assets (Current)	-	-	143.94	143.94	837.37	837.37
<b>At fair value through profit and loss</b>						
Current investment	6,426.88	6,426.88	4,005.52	4,005.52	31,243.32	31,243.32
<b>Total</b>	<b>6,911.47</b>	<b>6,911.47</b>	<b>5,015.28</b>	<b>5,015.28</b>	<b>33,340.40</b>	<b>33,340.40</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Carrying values	Fair values	Carrying values	Fair values	Carrying values	Fair values
<b>Financial liabilities</b>						
<b>At amortized cost</b>						
Borrowings (Non-current)	70,350.61	69,199.14	58,735.13	56,931.53	35,165.95	32,856.19
Other financial liabilities (Non-current)	145.70	60.99	145.20	54.51	142.20	47.88
<b>At fair value through other comprehensive income</b>						
Other financial liabilities (Non-current)	1,520.47	1,520.47	392.56	392.56	-	-
Other financial liabilities (Current)	315.11	315.11	-	-	-	-
<b>Total</b>	<b>72,331.89</b>	<b>71,095.71</b>	<b>59,272.89</b>	<b>57,378.60</b>	<b>35,308.15</b>	<b>32,904.07</b>

The management assessed that fair values of cash and cash equivalents, trade receivables, trade payables less than 1 year, bank overdrafts, current borrowing and other current financial assets and liabilities(except derivative financial instrument those being measured at fair value through other comprehensive income) 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

## 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, 2017

(₹ in lacs)

	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial assets</b>				
<b>At amortised cost</b>				
Loans(Non-current)	195.42	-	195.42	-
Other financial assets (Non-current)	289.17	-	289.17	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
-Investment in quoted mutual fund and debentures	6,426.88	6,426.88	-	-

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings (Non-current)	69,199.14	19,950.00	47,369.81	1,879.33
Other financial liabilities (Non-current)	60.99	-	-	60.99
<b>At fair value through other comprehensive income</b>				
Other financial liabilities (Non-current)	1,520.47	-	1,520.47	-
Other financial liabilities (Current)				
-Derivative financial instrument	315.11	-	315.11	-

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, 2016

(₹ in lacs)

	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial assets</b>				
<b>At amortised cost</b>				
Loans (Non-current)	273.92	-	273.92	-
Other financial assets (Non-current)	591.90	-	591.90	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
-Investment in quoted mutual fund	4,005.52	4,005.52	-	-
<b>At fair value through other comprehensive income</b>				
Other financial assets (Current)				
-Derivative financial instrument	143.94	-	143.94	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings (Non-current)	56,931.53	19,944.00	33,248.51	3,739.02
Other financial liabilities (Non-current)	54.51	-	-	54.51
<b>At fair value through other comprehensive income</b>				
Other financial liabilities (Non-current)	392.56	-	392.56	-

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 April 1, 2015

(₹ in lacs)

	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial assets</b>				
<b>At amortised cost</b>				
Loans (Non-current)	269.57	-	269.57	-
Other financial assets (Non-current)	614.96	-	614.96	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
-Investment in quoted mutual fund	31,243.32	31,243.32	-	-
<b>At fair value through other comprehensive income</b>				
Other financial assets (Non-current)	348.18	-	348.18	-
Other financial assets (Current)				
- Derivative financial instrument	837.37	-	837.37	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings (Non-current)	32,856.19	-	27,884.98	4,971.21
Other financial liabilities (Non-current)	47.88	-	-	47.88

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

\*For valuation under level 3 following assumptions were made:

- All repayments of borrowings will happen at end of financial year and not during the year.
- For valuation purpose we have taken discounting 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, and 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 managements 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, 2017 and March 31, 2016.

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, 2017.

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, 2017 and March 31, 2016 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 2017 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 2017, after taking into account the effect of interest rate swaps, approximately 58% of the Company's total borrowings are at a fixed rate of interest (March 31, 2016: 50%; April 1, 2015: 55%).

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

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Fixed rate borrowings	45,339.54	32,503.69	41,794.32
Floating rate borrowings	32,164.98	32,595.30	33,867.20
<b>Total borrowings</b>	<b>77,504.52</b>	<b>65,098.99</b>	<b>75,661.52</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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)
	Increase/ decrease in basis points	Effect on profit before tax
<b>March 31, 2017</b>		
₹ 32,164.98 lacs	+/- 100 bps	-321.65 / +321.65
<b>March 31, 2016</b>		
₹ 32,595.30 lacs	+/- 100 bps	-325.95 / +325.95

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, 2017, the Company hedged 95% (March 31, 2016: 100%, April 1, 2015: 100 %), of its foreign currency loans. This foreign currency risk is hedged by using foreign currency forward contracts. At March

31, 2017, the company hedged 98% (March 31, 2016: 86%) 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.

	Change in Currency	Effect on profit before tax
	₹	(₹ in lacs)
<b>March 31, 2017</b>		
Recognized net payables – USD 2.20 Mio	+/-1	- 22.00 / + 22.00
Recognized net payables – EUR 0.65 Mio	+/- 1	- 6.50 / + 6.50
<b>March 31, 2016</b>		
Recognized net receivables – USD 3.73 Mio	+/- 1	+ 37.30 / -37.30
Recognized net payables – EUR 0.39 Mio	+/- 1	- 3.90 / + 3.90

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 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, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Natural rubber	5,200.00	4,600.00	(5,200.00)	(4,600.00)
Synthetic rubber	3,600.00	2,700.00	(3,600.00)	(2,700.00)
Carbon black	2,000.00	2,100.00	(2,000.00)	(2,100.00)

## 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.

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.

### Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are noninterest bearing and are

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, 2017			As at March 31, 2016			As at April 1, 2015		
	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	Less than 180 days	More than 180 but less than 360 days	More than 360 days
Expected loss rate	0.09%	49.42%	100.00%	0.00%	45.58%	100.00%	0.00%	49.76%	100.00%
Gross carrying amount	59,103.76	297.10	3,095.21	57,209.32	1,074.97	1,307.17	66,553.51	278.14	1,240.77
Loss allowance provision	48.60	146.82	3,095.21	-	489.99	1,307.17	-	138.41	1,240.77

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

Export customers are against Letter of Credit, bank guarantees, payment against documents and open credit and insurance cover on export outstanding under open credit is also taken. Generally deposits are taken from domestic debtors under replacement segment. The carrying amount and fair value of security deposit from dealers amounts to ₹30,756.54 lacs (March 31, 2016: ₹ 29,666.08 lacs; April 1, 2015: ₹ 29,905.34 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.

## 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, 2017

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	19,438.56	19,438.56
Current investments	6,426.88	-	-	6,426.88
Loans	5,002.04	195.42	-	5,197.46
Trade receivables	59,205.44	-	-	59,205.44
Cash and cash equivalents	1,424.98	-	-	1,424.98
Bank balances other than cash and cash equivalents	322.21	-	-	322.21
Other financial assets	1,154.87	289.17	-	1,444.04
<b>Total financial assets</b>	<b>73,536.42</b>	<b>484.59</b>	<b>19,438.56</b>	<b>93,459.57</b>
<b>Financial liabilities</b>				
Long term borrowings	-	43,011.66	27,632.47	70,644.13
Short term borrowings	5,798.99	-	-	5,798.99
Other financial liabilities	37,772.08	1,520.47	145.70	39,438.25
Trade and Other payables	74,957.88	-	-	74,957.88
<b>Total financial liabilities</b>	<b>1,18,528.95</b>	<b>44,532.13</b>	<b>27,778.17</b>	<b>1,90,839.25</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Liquidity exposure as at March 31, 2016

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	18,438.56	18,438.56
Current investments	4,005.52	-	-	4,005.52
Loans	3,403.84	273.92	-	3,677.76
Trade receivables	57,794.30	-	-	57,794.30
Cash and cash equivalents	1,141.62	-	-	1,141.62
Bank balances other than cash and cash equivalents	1,274.03	-	-	1,274.03
Other financial assets	1,509.97	591.90	-	2,101.60
<b>Total financial assets</b>	<b>69,129.28</b>	<b>865.82</b>	<b>18,438.56</b>	<b>88,433.39</b>
<b>Financial liabilities</b>				
Long term borrowings	-	33,963.72	25,032.68	58,996.40
Short term borrowings	2,190.95	-	-	2,190.95
Other Financial Liabilities	39,209.31	392.56	145.20	39,747.07
Trade and Other payables	63,061.40	-	-	63,061.40
<b>Total financial liabilities</b>	<b>1,04,461.66</b>	<b>34,356.28</b>	<b>25,177.88</b>	<b>1,63,995.82</b>

## Liquidity exposure as at April 1, 2015

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	8,088.56	8,088.56
Current investments	31,243.32	-	-	31,243.32
Loans	1,377.16	269.57	-	1,646.73
Trade receivables	66,693.24	-	-	66,693.24
Cash and cash equivalents	4,445.76	-	-	4,445.76
Bank balances other than cash and cash equivalents	1,771.84	-	-	1,771.84
Other financial assets	2,205.71	990.14	-	3,195.85
<b>Total financial assets</b>	<b>1,07,737.03</b>	<b>1,259.71</b>	<b>8,088.56</b>	<b>1,17,085.30</b>
<b>Financial liabilities</b>				
Long term borrowings	-	29,916.87	5,514.53	35,431.40
Short term borrowings	25,684.03	-	-	25,684.03
Other Financial Liabilities	47,460.62	-	142.20	47,602.83
Trade and Other payables	63,401.22	-	-	63,401.22
<b>Total financial liabilities</b>	<b>1,36,545.87</b>	<b>29,916.87</b>	<b>5,656.73</b>	<b>1,72,119.48</b>

### 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 entire current assets to its consortium of bankers. The term lenders also have a second charge on the varied current assets.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 49: Capital management

For the purpose of the Company capital management, capital includes issued equity capital, convertible preference shares, 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, 2017	March 31, 2016	April 1, 2015
Borrowings (Note 20, 25 & 27) #	77,504.52	65,098.98	75,661.52
Trade payables (Note 26)	74,957.88	63,061.40	63,401.22
Less: cash and cash equivalents (Note 12)	(1,424.98)	(1,141.62)	(4,445.76)
<b>Net debt</b>	<b>1,51,037.42</b>	<b>1,27,018.76</b>	<b>1,34,616.98</b>
Equity	2,30,615.05	1,94,905.55	1,60,115.23
<b>Capital and net debt</b>	<b>3,81,652.47</b>	<b>3,21,924.31</b>	<b>2,94,732.21</b>
Gearing ratio	39.57%	39.46%	45.67%

# 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, 2017 and March 31, 2016.

## Note 50: Specified Bank Notes

During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on details of Specified Bank Notes (SBN) held and transacted during the period November 8, 2016 to December 30, 2016 the denominations wise SBNs and other notes as per notification is given below:

	(₹ in lacs)		
Particulars	SBNs*	Other Denomination notes	Total
Closing cash in hand as on November 8, 2016	7,55,000.00	3,61,930.00	11,16,930.00
Add: Permitted receipts	-	12,01,000.00	12,01,000.00
Less: Permitted payments	-	(12,22,190.00)	(12,22,190.00)
Less: Amount deposited in Banks	(7,55,000.00)	-	(7,55,000.00)
<b>Closing cash in hand as on December 30, 2016</b>	<b>-</b>	<b>3,40,740.00</b>	<b>3,40,740.00</b>

\* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the November 8, 2016.

## Note 51: First-time adoption of Ind AS

The Company had prepared its financial statements in accordance with the Accounting Standards (AS) notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP) for and including the year ended March 31, 2016. The Company has prepared its first Ind AS (Indian Accounting Standards) compliant Financial Statements for the year ended March 31, 2017 with restated comparative figures for the year

ended March 31, 2016 in compliance with Ind AS. Accordingly, the Opening Balance Sheet, in line with Ind AS transitional provisions, has been prepared as at April 1, 2015, the date of Company's transition to Ind AS. The principal adjustments made by the Company in restating its Indian GAAP financial statements for the Financial year ending March 31, 2016 and the balance sheet as at April 1, 2015 are as mentioned below:

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Exemptions applied

Ind AS 101 on First Time Adoption of Ind AS allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

- There is no change in the functional currency of the Company and accordingly, it has elected to continue with the carrying values for all of its property, plant and equipment as recognised in its Indian GAAP financial statements as the deemed cost at the transition date subject to the adjustments for decommissioning liabilities. As per the exemption under Ind AS 101, decommissioning liability was measured in accordance with Ind AS 37 at the date of transition to Ind AS. To the extent the liability was within the scope of Appendix-A of Ind AS 16, estimated liability that would have been included in the cost of related asset was discounted by using best estimate of the historical risk adjusted discount rate over the intervening period. Accumulated depreciation was calculated on that amount as at the date of transition to Ind AS on the basis of the current estimate of the useful life of the asset using the depreciation policy adopted by the Company in accordance with Ind AS.
- The Company has elected to use the previous GAAP carrying values as deemed cost at the transition date for all its intangible assets.
- Appendix C to Ind AS 17 requires the Company to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all relevant arrangements for leases based on conditions in place as at the date of transition.
- In accordance with the exemption given in Ind AS 101, the Company has recorded its investment in subsidiaries i.e. CEAT AKKHAN Limited and RADO Tyres Limited at fair value as on the transition date. For other than above investments, the Company has elected to apply previous GAAP carrying amount of its investments in other subsidiaries as deemed cost as on the date of transition to Ind AS.

## Exceptions applied

Ind AS 101 specifies mandatory exceptions from retrospective application of certain requirements under Ind AS for first-time adopters. Following exceptions are applicable to the Company:

## I. Use of Estimates

The estimates at April 1, 2015 and March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:

- Impairment of financial assets based on Expected Credit Loss (ECL) model

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at April 1, 2015, the date of transition to Ind AS and as of March 31, 2016.

## II. Impairment of financial assets

The Company has applied the exception related impairment of financial assets given in Ind AS 101. It has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial assets were initially recognised and compared that to the credit risk as at April 1, 2015.

## III. Government Loans

The Company has applied the exception related to government loans (i.e. sales tax deferral scheme) existing at the date of transition to Ind AS and it has used its previous GAAP carrying amount of the loan at the date of transition to Ind AS the carrying amount of the loan in the opening Ind AS statement of financial position.

## IV. Derecognition of financial assets and financial liabilities

The Company has elected to apply the derecognition requirements for financial assets and financial liabilities in Ind AS 109 prospectively for transactions occurring on or after the transition to Ind AS.

## V. Classification and measurement of financial assets

The Company has classified the financial assets in accordance to Ind AS 109 on the basis of the facts and circumstances that exist on the date of transition to Ind AS.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Reconciliation of equity as at April 1, 2015 (date of transition to Ind AS)

(₹ in lacs)

Particulars	Footnotes	Regrouped Indian GAAP	Ind AS Adjustments	Ind AS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1	1,42,495.27	1,296.53	1,43,791.80
Capital work-in-progress		16,406.59	-	16,406.59
Intangible assets		5,633.70	-	5,633.70
<b>Financial assets</b>				
Investments	9	12,438.56	(4,350.00)	8,088.56
Loans		269.57	-	269.57
Other financial assets		990.14	-	990.14
Other non-current assets	7	3,436.63	-	3,436.63
Non-current tax assets (net)		2,369.84	-	2,369.84
<b>Total non-current assets</b>		<b>1,84,040.30</b>	<b>(3,053.47)</b>	<b>1,80,986.83</b>
<b>Current assets</b>				
Inventories		64,210.70	-	64,210.70
<b>Financial assets</b>				
Investments		31,243.32	-	31,243.32
Trade receivables		66,693.24	-	66,693.24
Cash and cash equivalents		4,445.76	-	4,445.76
Bank balances other than cash and cash equivalents		1,771.84	-	1,771.84
Loans		1,377.16	-	1,377.16
Other financial assets	2	2,222.20	(16.49)	2,205.71
Other current assets		7,572.22	(253.77)	7,318.45
<b>Total Current assets</b>		<b>1,79,536.44</b>	<b>(270.26)</b>	<b>1,79,266.18</b>
<b>Total Assets</b>		<b>3,63,576.74</b>	<b>(3,323.73)</b>	<b>3,60,253.01</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital		4,045.01	-	4,045.01
Other equity		1,55,808.95	261.27	1,56,070.22
<b>Total equity</b>		<b>1,59,853.96</b>	<b>261.27</b>	<b>1,60,115.23</b>
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	7	35,432.41	(266.47)	35,165.95
Other financial liabilities		142.20	-	142.20
Provisions	5,1	2,705.84	(33.13)	2,672.70
Deferred tax liabilities (net)	6	11,714.72	74.08	11,788.80
Deferred revenue	11	-	1,214.22	1,214.22
<b>Total non-current liabilities</b>		<b>49,995.17</b>	<b>988.70</b>	<b>50,983.87</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings		25,684.03	-	25,684.03
Trade payables		63,401.22	-	63,401.22
Other financial liabilities		47,468.15	(7.53)	47,460.62
Deferred revenue	11	-	82.13	82.13
Other current liabilities		6,792.51	-	6,792.51
Provisions	5, 3	10,048.25	(4,648.30)	5,399.95
Current tax liabilities(net)		333.45	-	333.45
<b>Total current liabilities</b>		<b>1,53,727.61</b>	<b>(4,573.70)</b>	<b>1,49,153.91</b>
<b>Total equity and liabilities</b>		<b>3,63,576.74</b>	<b>(3,323.73)</b>	<b>3,60,253.01</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Reconciliation of equity as at March 31, 2016

(₹ in lacs)

Particulars	Footnotes	Regrouped Indian GAAP	Ind AS Adjustments	Ind AS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and Equipment	1	1,90,489.57	1,214.36	1,91,703.92
Capital work-in-progress		21,345.07	-	21,345.07
Intangible assets		5,765.65	-	5,765.65
<b>Financial assets</b>				
Investments	9	22,788.56	(4,350.00)	18,438.56
Loans		273.92	-	273.92
Other financial assets		591.90	-	591.90
Other non-current assets	7	2,690.42	-	2,690.42
Income tax assets (net)		3,734.13	-	3,734.13
<b>Total non-current assets</b>		<b>2,47,679.22</b>	<b>(3,135.64)</b>	<b>2,44,543.57</b>
<b>Current assets</b>				
Inventories		61,925.35	-	61,925.35
<b>Financial assets</b>				
Investments		4,001.23	4.29	4,005.52
Trade receivables		57,794.30	-	57,794.30
Cash and cash equivalents		1,141.62	-	1,141.62
Bank balances other than cash and cash equivalents		1,274.03	-	1,274.03
Short term loans and advances		3,403.84	-	3,403.84
Other financial assets	2	1,526.13	(16.17)	1,509.97
Other current assets		13,917.06	(260.58)	13,656.48
<b>Total Current assets</b>		<b>1,44,983.56</b>	<b>(272.46)</b>	<b>1,44,711.11</b>
<b>Total Assets</b>		<b>3,92,662.78</b>	<b>(3,408.10)</b>	<b>3,89,254.68</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital		4,045.01	-	4,045.01
Other equity		1,95,081.01	(4,220.47)	190,860.54
<b>Total equity</b>		<b>1,99,126.02</b>	<b>(4,220.47)</b>	<b>194,905.55</b>
<b>Non-current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	7	58,996.42	(261.29)	58,735.13
Other financial liabilities		537.76	-	537.76
Provisions	5,1	2,929.10	(473.24)	2,455.86
Deferred tax liabilities (net)	6	14,737.17	71.67	14,808.84
Deferred revenue	11	-	1,132.09	1,132.09
<b>Total non-current liabilities</b>		<b>77,200.45</b>	<b>469.23</b>	<b>77,669.68</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings		2,190.95	-	2,190.95
Trade payables		63,061.40	-	63,061.40
Other current financial liabilities		39,209.31	-	39,209.31
Deferred revenue	11	-	82.13	82.13
Other current liabilities		7,128.82	-	7,128.82
Provisions	5, 3	4,438.29	261.01	4,699.30
Current tax liabilities (net)		307.54	-	307.54
<b>Total current liabilities</b>		<b>1,16,336.31</b>	<b>343.14</b>	<b>1,16,679.45</b>
<b>Total equity and liabilities</b>		<b>3,92,662.78</b>	<b>(3,408.10)</b>	<b>3,89,254.68</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Reconciliation of profit or loss for the year ended March 31, 2016

(₹ in lacs)

Particulars	Footnotes	Indian GAAP	Adjustments	Ind AS
<b>INCOME</b>				
Revenue from operations	5, 8, 11	5,49,283.18	62,590.08	6,11,873.26
Other Income	2	4,603.87	4.64	4,608.51
<b>Total income</b>		<b>5,53,887.05</b>	<b>62,594.72</b>	<b>6,16,481.77</b>
<b>EXPENSES</b>				
Cost of material consumed		2,95,378.28	-	2,95,378.28
Purchase of stock-in-trade		13,816.46	-	13,816.46
Changes in inventories of finished goods, stock-in-trade and work-in-progress		(232.27)	-	(232.27)
Employee benefit expense	4	36,716.71	188.69	36,905.40
Finance costs	1, 5	8,915.51	416.13	9,331.64
Depreciation and amortization expense	1	10,041.95	642.20	10,684.15
Excise duty on sale of goods		-	66,367.74	66,367.74
Other expenses	8	1,24,503.48	(4,192.66)	1,20,310.82
<b>Total Expenses</b>		<b>4,89,140.12</b>	<b>63,422.10</b>	<b>5,52,562.22</b>
<b>Profit before exceptional items and tax</b>		<b>64,746.93</b>	<b>(827.38)</b>	<b>63,919.55</b>
Exceptional items		1,139.99	-	1,139.99
<b>Profit / (loss) before tax</b>		<b>63,606.94</b>	<b>(827.38)</b>	<b>62,779.56</b>
<b>Tax expense:</b>				
Current tax		15,057.86	-	15,057.86
Deferred tax	6	3,296.81	(92.94)	3,203.87
<b>Profit / (loss) for the period</b>		<b>45,252.27</b>	<b>(734.44)</b>	<b>44,517.83</b>
<b>Other Comprehensive Income</b>				
Items that will not be reclassified subsequently to statement of profit and loss				
Remeasurement gains / (losses) on defined benefit plans	4	-	315.53	315.53
Income tax relating to above	4	-	(109.20)	(109.20)
Items that will be reclassified subsequently to statement of profit and loss				
Net movement in cash flow hedges		-	(53.95)	(53.95)
Income tax relating to above		-	18.67	18.67
<b>Total Comprehensive Income for the period (Comprising Profit and Other Comprehensive Income for the period)</b>		<b>45,252.27</b>	<b>(563.39)</b>	<b>44,688.88</b>

### Footnotes to the reconciliation of equity as at April 1, 2015 and March 31, 2016 and profit or loss for the period ended March 31, 2016

#### 1. Decommissioning liability

Under Ind AS, provision for decommissioning liability is measured at present value of the expenditure expected to be incurred to settle the obligation. ₹ 43.80 Lacs being the present value of decommissioning liability provision, net of depreciation effect has been adjusted and credited to retained earnings as on the transition date.

#### 2. Derivative instruments

The fair value of foreign exchange forward contracts is recognised under Ind AS, which was not recognised under Indian GAAP. The corresponding adjustment of

₹ 16.51 lacs (March 31, 2016: 0.35 lacs) has been debited to Equity as on the transition date.

#### 3. Proposed Dividend

Under Indian GAAP, proposed dividends including DDT are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the company (usually when approved by shareholders in a general meeting) or paid.

In the case of the Company, the declaration of dividend occurs after period end. Therefore, the liability of ₹ 4,532.68 lacs for the year ended on 31 March 2015 recorded for dividend has been derecognised against retained earnings on the transition date.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 4. Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, remeasurements (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. Thus the employee benefit cost is increased by ₹ 315.53 lacs and remeasurement losses on defined benefit plans have been recognized in the OCI net of tax.

## 5. Provisions

Under Indian GAAP, the Company has accounted for provisions, including long-term provision, at the undiscounted amount. In contrast, Ind AS 37 requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. Ind AS 37 also provides that where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost. This led to a decrease in provision on the date of transition by ₹ 194.25 lacs with corresponding impact on equity. In FY 2015-16, this led to a decrease in provision by ₹ 7.92 lacs with a corresponding impact on revenue from sale of goods.

## 6. Deferred tax

Under Indian GAAP, deferred tax is accounted using the income statement approach as per timing differences between taxable profits and accounting profits for the period. Ind AS 12 requires accounting for deferred taxes using the balance sheet approach as per temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to temporary differences as on the transition date. The net impact on deferred tax liabilities on the transitional adjustments debited to equity is ₹ 74.08 Lacs.

## 7. Borrowings

Under Indian GAAP, unamortised transaction costs relating to borrowings is shown separately in assets, whereas under Ind AS such costs are netted off against the borrowings. Hence, as on the transition date unamortised transaction cost of ₹ 253.76 lacs is netted off against the borrowings.

## 8. Excise Duty and Cash Discount

Excise duty of ₹66,236.76 lacs on account of sale of goods has been included in revenue as it is on own account because it is liability of the manufacturer which forms part of the production, irrespective of whether goods are sold or not.

Under Indian GAAP, cash discount of ₹ 4,192.60 lacs was recognised as part of other expenses which has been adjusted against the revenue under Ind AS during the year ended March 31, 2016.

## 9. Fair Value of Investment in subsidiaries

The Company has elected the option to fair value its investment in subsidiaries i.e. CEAT AKKHAN Limited and RADO Tyres Limited at fair value as on the transition date. This has resulted in decreased in non-current investments in subsidiaries of ₹ 4,350 lacs with corresponding decrease to retained earnings.

## 10. Other comprehensive income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

## 11. Government Grant

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

Hence as on transition date, non-current deferred revenue of ₹ 1,214.22 lacs and current deferred revenue of ₹ 82.13 lacs relating to benefit received from Export Promotion Capital Goods (EPCG) scheme is recognised. The corresponding adjustment of ₹ 1,296.34 lacs has been debited to Equity (March 31, 2016: ₹ 82.13 lacs).

## 12. Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 52: Events after the reporting period

- The company has received orders for income tax refund amounting to ₹ 2,815.07 lacs for previous years in April 2017.
- The board has recommended dividend of ₹ 11.50 per share (March 31, 2016: ₹ NIL) for financial year 2016-17.

## Note 53: Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows' and Ind AS102, 'Share-based payment'. The amendments are applicable from April 1, 2017.

### Amendment to Ind AS 7

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including

both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

### Amendment to Ind AS 102

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

The requirements of the amendment have no impact on the financial statements as the standard is not applicable to the Company.

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 28, 2017

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place : Mumbai

Date: April 28, 2017

For and on behalf of Board of Directors of CEAT Limited

**H.V. Goenka**

Chairman

**Anant Goenka**

Managing Director

**Mahesh Gupta**

Chairman- Audit Committee

## AOC-1

**(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies  
(Accounts) Rules, 2014)**

**Statement containing salient features of the financial statement of subsidiaries/associate companies/  
joint ventures**

**Part "A": Subsidiaries**

**(Information in respect of each subsidiary to be presented with amounts in Rs. Lacs)**

1	Sl No.	1	2	3	4
2.	Name of the subsidiary	Associated CEAT Holdings Company (Pvt.) Limited	CEAT AKKhan Limited	CEAT Speciality Tyres Limited	Rado Tyres Limited (RTL)
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Uniform reporting period	Uniform reporting period	Uniform reporting period	Uniform reporting period
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	1 LKR = ₹ 0.4270	1 BDT = ₹ 0.8106	₹ Not Applicable	₹ Not Applicable
5.	Share capital	427.00	12,159.00	1,105.00	643.16
6.	Reserves & surplus	13,566.83	(2,538.54)	8,101.67	(574.64)
7.	Total assets	1,959.95	10,770.83	34,576.39	772.97
8.	Total Liabilities	1.65	1,150.37	25,369.72	704.05
9.	Investments	12,035.53	-	-	0.25
10.	Turnover	-	5,543.29	22,386.05	883.55
11.	Profit before taxation	4,137.33	(323.15)	(1,003.22)	(124.39)
12.	Provision for taxation	1,300.58	146.79	-	-
13.	Profit after taxation	2,836.75	(469.94)	(1,003.22)	(124.39)
14.	Proposed Dividend	-	-	-	-
15.	Dividend paid	1,639.23	-	-	-
16.	% of shareholding	100%	70%	100%	58.56%

1. Names of subsidiaries which are yet to commence operations- Not Applicable

2. Names of subsidiaries which have been liquidated or sold during the year. -Not Applicable



## AOC-1

## Part "B": Associates and Joint Ventures

## Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Joint Venture	CEAT Kelani Holdings Company (Pvt.) Limited
1. Latest audited Balance Sheet date	March 31, 2017
2. Shares of Joint Venture held by the Company on the year end	
No. (holding through the Company's subsidiary Associated CEAT Holdings Company (Pvt) Limited)	1,00,00,000 shares
Amount of Investment in Joint Venture	₹ 4,357.46 lacs (Investment through the Company's wholly owned subsidiary Associated CEAT Holdings Company (Pvt) Limited)
Extent of holding %	50%
3. Description of how there is a significant influence	By holding more than 20% share
4. Reason by the Joint Venture is not consolidated	N.A.
5. Net worth attributable to Shareholding as per latest audited Balance Sheet	₹ 15,486.77 lacs
6. Profit / (Loss) for the year	
i. Considered in Consolidation	₹ 2,836.75 lacs
ii. Not Considered in Consolidation	₹ 2,836.75 lacs

- Names of associates or joint ventures which are yet to commence operations.-Not Applicable
- Names of associates or joint ventures which have been liquidated or sold during the year.-Not Applicable

**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 28, 2017

# INDEPENDENT AUDITOR'S REPORT

To the Members of CEAT Limited

## Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of CEAT Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Cash Flow Statement, the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

## Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group and Jointly controlled entities in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and jointly controlled entities and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards

and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and jointly controlled entities, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and jointly controlled entities as at March 31, 2017, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and jointly controlled entities, as noted in the 'Other Matter' paragraph we report, to the extent applicable, that:

- (a) We / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the consolidated Cash Flow Statement and consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standard) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies incorporated in India, none of the directors of the Group's companies incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, incorporated in India, refer to our separate report in "Annexure 1" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements as also other financial information of the subsidiaries and jointly controlled entities, as noted in the 'Other Matter' paragraph:
  - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and jointly controlled entities- Refer Note 22 and 45(b) to the consolidated Ind AS financial statements;
  - ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 21 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group and jointly controlled entities;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries, incorporated in India, during the year ended March 31, 2017;
  - iv. The Holding Company and subsidiaries incorporated in India, have provided requisite disclosures in Note 53 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Group including its jointly controlled entities and as produced to us by the Management of the Holding Company.

#### Other Matter

We did not audit the financial statements and other financial information, in respect of three subsidiaries and five jointly controlled entities, whose financial statements and other financial information are considered in these consolidated financial statements. The financial statements of these subsidiaries reflect total assets of ₹ 11,544 lakhs as at March 31, 2017, and total revenues of ₹ 6,516 lakhs and net cash outflows of ₹ 423 lakhs respectively, for the year ended on that date. The accompanying consolidated financial statements also include the Group's share of net profit of ₹ 2,837 lacs for the year ended March 31, 2017 of the five jointly controlled entities. The financial statements and other financial information of the above referred subsidiaries and jointly controlled entities, have been audited by other auditors, which financial statements, other financial

information and auditor's reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and jointly controlled entities, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and jointly controlled entities, is based solely on the report(s) of such other auditors.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above

matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

For **SRBC & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 28, 2017

## **Annexure to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Ceat Limited**

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

In conjunction with our audit of the consolidated financial statements of CEAT Limited as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of CEAT Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

### **Management's Responsibility for Internal Financial Controls**

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

### **Auditor's Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over

financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company, insofar as

it relates to one subsidiary company, which is a company incorporated in India, is based on the corresponding reports of the auditor of such subsidiary incorporated in India.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 28, 2017



# CONSOLIDATED BALANCE SHEET

as at March 31, 2017

(₹ in lacs)

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>I Assets</b>				
<b>(1) Non-current assets</b>				
(a) Property, plant and equipment	3	2,38,329.00	1,97,330.37	1,44,487.84
(b) Capital work-in-progress	3	31,928.19	29,823.79	22,384.43
(c) Intangible assets	4	6,924.00	5,876.64	5,655.56
(d) Intangible assets under development	4	697.60	84.36	-
(e) Financial assets				
(i) Investments	5	16,733.28	15,528.19	13,053.70
(ii) Loans	6	7.53	283.94	263.90
(iii) Other financial assets	7	578.30	402.76	771.04
(f) Other non-current assets	8	15,182.57	5,262.93	5,469.75
(g) Non-current tax assets (net)	23	3,959.44	6,881.37	2,569.58
<b>Total non-current assets</b>		<b>3,14,339.91</b>	<b>2,61,474.35</b>	<b>1,94,655.80</b>
<b>(2) Current assets</b>				
(a) Inventories	9	94,348.27	63,971.10	65,343.20
(b) Financial assets				
(i) Investments	10	6,426.88	4,021.24	31,243.32
(ii) Trade receivables	11	61,379.85	59,351.04	67,318.04
(iii) Cash and cash equivalents	12	2,401.09	1,365.86	7,057.76
(iv) Bank balances other than cash and cash equivalent	13	1,190.98	4,937.52	2,667.62
(v) Loans	14	127.47	280.06	327.30
(vi) Other financial assets	15	1,370.87	887.71	1,839.07
(c) Other current assets	16	16,951.56	14,506.13	7,714.91
<b>Total current assets</b>		<b>1,84,196.97</b>	<b>1,49,320.66</b>	<b>1,83,511.22</b>
<b>Total assets</b>		<b>4,98,536.88</b>	<b>4,10,795.01</b>	<b>3,78,167.02</b>
<b>II Equity and liabilities</b>				
<b>(1) Equity</b>				
(a) Equity share capital	17	4,045.01	4,045.01	4,045.01
(b) Other equity	18	2,37,450.42	2,01,428.93	1,67,299.12
<b>Equity attributable to equity holders of parent</b>		<b>2,41,495.43</b>	<b>2,05,473.94</b>	<b>1,71,344.13</b>
(c) Non-controlling interest		2,914.53	3,224.46	3,267.40
<b>Total equity</b>		<b>2,44,409.96</b>	<b>2,08,698.40</b>	<b>1,74,611.53</b>
<b>(2) Non-current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	20	85,243.26	58,791.15	35,165.96
(ii) Other financial liabilities	21	1,666.17	538.11	142.20
(b) Provisions	22	3,633.10	2,670.58	2,787.71
(c) Deferred tax liabilities (net)	23	21,334.53	15,819.91	12,590.60
(d) Deferred revenue	24	1,464.83	1,132.09	1,214.22
<b>Total non-current liabilities</b>		<b>1,13,341.89</b>	<b>78,951.84</b>	<b>51,900.69</b>
<b>(3) Current liabilities</b>				
(a) Financial liabilities				
(i) Borrowings	25	5,798.99	3,353.64	26,427.47
(ii) Trade payables	26	75,821.35	63,532.12	63,789.00
(iii) Other financial liabilities	27	40,746.97	37,859.52	48,425.04
(b) Deferred revenue	24	82.13	82.13	82.13
(c) Other current liabilities	28	10,692.19	9,930.78	6,831.98
(d) Provisions	22	5,381.59	4,703.36	5,448.06
(e) Current tax liabilities (net)	23	2,261.81	3,683.22	651.12
<b>Total current liabilities</b>		<b>1,40,785.03</b>	<b>1,23,144.77</b>	<b>1,51,654.80</b>
<b>Total equity and liabilities</b>		<b>4,98,536.88</b>	<b>4,10,795.01</b>	<b>3,78,167.02</b>
Summary of significant accounting policies	2			

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

For S R B C &amp; CO LLP

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

Kumar Subbiah

Chief Financial Officer

H.V. Goenka

Chairman

Anant Goenka

Managing Director

per Vinayak Pujare

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

Shruti Joshi

Company Secretary

Mahesh Gupta

Chairman- Audit Committee

Place : Mumbai

Date: April 28, 2017

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2017

		(₹ in lacs)	
Particulars	Note No.	2016-17	2015-16
<b>I INCOME</b>			
Revenue from operations	29	6,44,130.10	6,14,591.74
Other income	30	1,862.86	2,767.94
<b>Total income</b>		<b>6,45,992.96</b>	<b>6,17,359.68</b>
<b>II Expenses</b>			
Cost of material consumed	31	3,30,888.19	2,95,378.28
Purchase of stock-in-trade		16,637.52	14,845.51
Changes in inventories of finished goods, stock-in-trade and work-in-progress	32	(7,548.61)	(1,138.75)
Employee benefit expense	33	40,630.92	38,825.13
Finance costs	34	8,172.13	9,488.55
Depreciation and amortization expense	35	14,308.07	10,772.00
Excise duty on sale of goods		67,478.66	66,236.55
Other expenses	36	1,30,365.47	1,23,124.49
<b>Total expenses</b>		<b>6,00,932.35</b>	<b>5,57,531.76</b>
<b>III Profit before exceptional items and tax</b>		<b>45,060.61</b>	<b>59,827.92</b>
<b>IV Exceptional items</b>	37	1,332.55	1,139.99
<b>V Profit before tax</b>		<b>43,728.06</b>	<b>58,687.93</b>
<b>VI Tax expense</b>	23		
Current tax		11,660.33	15,308.60
Deferred tax		5,823.68	3,425.32
MAT credit entitlement		(6,842.17)	-
<b>VII Profit for the year</b>		<b>33,086.22</b>	<b>39,954.01</b>
<b>VIII Share of profit from joint venture</b>		2,836.75	3,617.93
<b>IX Net profit for the year</b>		<b>35,922.97</b>	<b>43,571.94</b>
Attributable to :			
(a) Non-controlling interest		(192.49)	(182.23)
(b) Equity holders of the parent		36,115.46	43,754.17
<b>X Other comprehensive income (OCI)</b>			
(a) Items that will not be reclassified subsequently to the statement of profit and loss			
(i) Remeasurement gains/(losses) on defined benefit plans		(416.05)	280.87
(ii) Income tax relating to above		164.51	(97.20)
(b) Items that will be reclassified subsequently to the statement of profit and loss			
(i) Net movement on cash flow hedges		73.33	(53.95)
(ii) Income tax relating to above		130.51	18.67
(iii) Net movement in foreign exchange fluctuation reserve		(63.73)	110.17
<b>Total other comprehensive income for the year (net of tax)</b>		<b>(111.43)</b>	<b>258.56</b>
<b>XI Total Comprehensive Income for the year (Comprising profit and other comprehensive income for the year)</b>		<b>35,811.54</b>	<b>43,830.50</b>
Attributable to :			
(a) Non-controlling interest		(192.49)	(182.23)
(b) Equity holders of the parent		36,004.03	44,012.73
<b>XII Earnings per equity share (of ₹ 10 each)</b>	39		
(a) Basic (in ₹)		89.28	108.17
(b) Diluted (in ₹)		89.28	108.17
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

For S R B C & CO LLP

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

Kumar Subbiah

Chief Financial Officer

H.V. Goenka

Chairman

Anant Goenka

Managing Director

per Vinayak Pujare

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

Shruti Joshi

Company Secretary

Mahesh Gupta

Chairman- Audit Committee

Place : Mumbai

Date: April 28, 2017

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2017

		(₹ in lacs)	
Particulars	2016-17	2015-16	
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before tax	43,728.06	58,687.93	
<b>Adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation and amortization	14,308.07	10,772.00	
Interest income	(546.71)	(739.26)	
Finance costs	8,172.13	9,488.55	
Dividend income	(22.95)	(1,088.81)	
Provision for doubtful debts / advances	670.00	441.97	
Credit balances written back	(591.34)	(76.71)	
Bad debts written off	59.29	8.99	
(Profit) / Loss on sale of investments (net)	(282.82)	(159.02)	
(Profit) / Loss on sale of property, plant and equipment (net)	554.58	973.93	
Unrealised foreign exchange (gain) / loss (net)	(76.59)	27.94	
Remeasurement gain / (loss) on defined benefit plans	(416.05)	280.87	
Foreign Currency Translation Reserve on Consolidation	(180.77)	249.05	
<b>Operating profit before working capital changes</b>	<b>65,374.90</b>	<b>78,867.43</b>	
<b>Adjustments for</b>			
Decrease / (Increase) in inventory	(30,377.16)	1,372.10	
Decrease / (Increase) in trade receivables	(2,728.41)	7,470.19	
Decrease / (Increase) in other current assets	301.71	70.45	
Decrease / (Increase) in current loans and other financial assets	(3,007.79)	(6,635.51)	
Decrease / (Increase) in non-current loans and other financial assets	(72.25)	20.12	
Decrease / (Increase) in other non current asset	(7.24)	35.65	
(Decrease) / Increase in trade payables	10,806.37	4,976.73	
(Decrease) / Increase in current financial liabilities and other current liabilities	2,005.36	3,098.03	
(Decrease) / Increase in non-current financial liabilities and deferred revenue	69.24	(1,121.09)	
(Decrease) / Increase in current provisions	678.23	(696.59)	
(Decrease) / Increase in non-current provisions	596.30	(388.21)	
<b>Cash flows from operating activities</b>	<b>43,639.26</b>	<b>87,069.30</b>	
Direct taxes paid (net of refunds)	(10,172.62)	(16,864.10)	
<b>Net cash flows from operating activities (A)</b>	<b>33,466.64</b>	<b>70,205.20</b>	
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment (including capital work-in progress and capital advance)	(58,770.71)	(73,812.70)	
Proceeds from sale of property, plant and equipment	530.93	2,438.95	
Withdrawal of bank deposits (having original maturity of more than three months)	4,408.01	1,208.00	
Investment in bank deposits (having original maturity of more than three months)	-	(3,512.03)	
Withdrawal of margin money deposit with banks	17.54	14.43	
Investment in margin money deposit with banks	(831.82)	-	
Changes in other bank balances	201.82	39.80	
Purchase of non current investments	(1,205.09)	(2,474.49)	
Purchase of current investment (net)	(2,122.82)	27,381.09	
Interest received	569.39	748.90	
Share of profit from joint venture	2,836.75	3,617.93	
Dividend received from investment	22.95	1,088.81	
<b>Net cash (used in) investing activities (B)</b>	<b>(54,343.05)</b>	<b>(43,261.31)</b>	

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2017

			(₹ in lacs)
Particulars	2016-17	2015-16	
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid	(7,649.24)	(9,303.63)	
Repayment of public deposit	(3,469.23)	(4,290.69)	
Change in other short-term borrowings (net)	4,685.27	(11,006.72)	
Proceeds from short-term buyers credit	-	14,169.64	
Repayment of short-term buyers credit	-	(31,243.27)	
Proceeds from long-term borrowings	36,308.65	50,489.66	
Repayment of long-term borrowings	(7,898.01)	(31,657.91)	
Dividend paid	(65.80)	(8,591.09)	
Dividend distribution tax paid	-	(1,201.78)	
<b>Net cash flows from / (used in) financing activities (C)</b>	<b>21,911.64</b>	<b>(32,635.79)</b>	
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>1,035.23</b>	<b>(5,691.90)</b>	
<b>Cash and cash equivalents at the beginning of the year (refer note 12)</b>	<b>1,365.86</b>	<b>7,057.76</b>	
<b>Cash and cash equivalents at the end of the year (refer note 12)</b>	<b>2,401.09</b>	<b>1,365.86</b>	

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

**Kumar Subbiah**

Chief Financial Officer

**H.V. Goenka**

Chairman

**Anant Goenka**

Managing Director

**per Vinayak Pujare**

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

**Shruti Joshi**

Company Secretary

Place : Mumbai

Date: April 28, 2017

**Mahesh Gupta**

Chairman- Audit Committee

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2017

Particulars	Equity share capital (refer note 17)	Other equity							Total other equity	Non-controlling interest	Total equity	
		Share premium (refer note 18(a))	Capital reserve (refer note 18(b))	Capital redemption reserve (refer note 18(c))	Debt redemption reserve (refer note 18(e))	General reserve (refer note 18(g))	Retained earnings (refer note 18(h))	Items of other comprehensive income				
								Cash flow hedge reserve (refer note 18(d))				Foreign currency translation reserve (refer note 18(f))
As at April 1, 2015	4,045.01	56,702.93	1,389.79	390.00	-	20,164.89	88,612.34	39.17	-	1,67,299.12	3,267.40	1,74,611.53
Profit for the year	-	-	-	-	-	-	43,754.17	-	-	43,754.17	(182.23)	43,571.94
Other comprehensive income	-	-	-	-	-	-	183.67	(35.28)	110.17	258.56	-	258.56
Total comprehensive income	-	-	-	-	-	-	43,937.84	(35.28)	110.17	44,012.73	-	43,830.50
Payment of dividend	-	-	-	-	-	-	(8,696.77)	-	-	(8,696.77)	-	(8,696.77)
Payment of dividend distribution tax (DDT)	-	-	-	-	-	-	(1,201.79)	-	-	(1,201.79)	-	(1,201.79)
Increase in capital reserve	-	-	15.64	-	-	-	-	-	-	15.64	-	15.64
Transfer to debt redemption reserve	-	-	-	-	-	-	(1,667.00)	-	-	(1,667.00)	-	(1,667.00)
Transfer from retained earnings	-	-	-	-	1,667.00	-	-	-	-	1,667.00	-	1,667.00
Forex gain/(loss) on restatement of Non-controlling interest	-	-	-	-	-	-	-	-	-	-	139.29	139.29
As at March 31, 2016	4,045.01	56,702.93	1,405.43	390.00	1,667.00	20,164.89	1,20,984.62	3.89	110.17	2,01,428.93	3,224.46	2,08,698.40
Profit for the year	-	-	-	-	-	-	36,115.46	-	-	36,115.46	(192.49)	35,922.97
Other comprehensive income	-	-	-	-	-	-	(251.54)	203.84	(63.73)	(111.43)	-	(111.43)
Total comprehensive income	-	-	-	-	-	-	35,863.92	203.84	(63.73)	36,004.03	-	35,811.54
Transfer to debt redemption reserve	-	-	-	-	-	-	(1,667.00)	-	-	(1,667.00)	-	(1,667.00)
Transfer from retained earnings	-	-	-	-	1,667.00	-	-	-	-	1,667.00	-	1,667.00
Decrease in capital reserve	-	-	(13.52)	-	-	-	-	-	-	(13.52)	-	(13.52)
Forex gain/(loss) on restatement of non-controlling interest	-	-	-	-	-	-	-	-	-	-	(117.44)	(117.44)
Others	-	-	-	-	-	-	30.98	-	-	30.98	-	30.98
As at March 31, 2017	4,045.01	56,702.93	1,391.91	390.00	3,334.00	20,164.89	1,55,212.52	207.73	46.44	2,37,450.42	2,914.53	2,44,409.96

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S RBC & CO LLP**

Chartered Accountants

ICAI Firm Registration No.:324982/E/3000003

**per Vinayak Pujare**

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 1: Corporate information

The consolidated financial statements comprise financial statements of CEAT Limited ("the company") and its subsidiaries (collectively, "the Group") and Joint Venture for the year ended March 31, 2017. The Company is a public company domiciled in India and incorporated under the provisions of the Companies Act applicable in India. The Group's principal business is manufacturing and trading 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 shares are listed on two recognised stock exchanges in India. The registered office of company is located at RPG House, 463, Dr. Annie Beasant Road, Worli, Mumbai 400030. The financial statements were authorised for issue in accordance with a resolution of the directors on April 28, 2017. Refer note 41 for the information related to subsidiary companies.

## Note 2: Basis of Preparation, Basis of Consolidation and Summary of significant accounting policies

### 1. Basis of accounting and preparation of financial statements

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

For all periods up to and including the year ended March 31, 2016, the Group prepared its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended March 31, 2017 are the first financial statements the Group has prepared in accordance with Ind AS. Refer to note 54 for information on how the Group adopted Ind AS.

These financial statements have been prepared on a 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 consolidated financial statements are presented in ₹ except when otherwise indicated.

### 2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and Joint Venture as at March 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on March 31. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information in accordance with Ind AS as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

## Consolidation procedure

- a. Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- b. Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- c. Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made

to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

## The following subsidiaries and Joint Ventures have been considered in the consolidated financial statements

### Subsidiaries

- CEAT AKKHAN Limited
- Associated CEAT Holdings Co. (Pvt) Limited (ACHL)
- RADO Tyres Limited
- CEAT Specialty Tyres Limited

### Joint Venture

- CEAT Kelani Holdings Company (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 - subsidiary of CKITL

## 3. Business Combination

In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

business combinations entered into before that date, have been carried forward with minimal adjustment (refer note 54). The same first time adoption exemption is also used for joint ventures.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at fair value as on acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in the statement of profit and loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequently its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Any gain on a bargain purchase is recognised in other comprehensive income and accumulated in equity as capital reserve if there exists clear evidence, of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised in equity as capital reserve.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in the statement of profit and loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## 4. Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit and loss.

The financial statements of joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit and loss.

## 5. Current versus non-current classification

The Group 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 Group 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 Group has identified twelve months as its operating cycle.

## 6. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Group has assumed that recovery of excise duty flows to the group 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 group on its own account, revenue includes excise duty.

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

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

### Sale of goods

Revenue from the sale of goods (i.e. tyres, 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. The Group 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 Group 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

calculating the effective interest rate, the Group 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 Group'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.

## 7. 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 Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset 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 favorable 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 Incentives such as Focus Market Scheme, Focus Products Scheme and Special Focus Market Scheme are recognized in the Statement of Profit and Loss as a part of other operating revenues.

## 8. Taxes

### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted

or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

- 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 the statement of profit and loss is recognised outside the statement of 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/ value added taxes paid on acquisition of assets or on incurring expenses

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

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

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

## 9. Non-current assets held for sale

The Group 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.

## 10. 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. Cost comprises the purchase price and any attributable cost of bringing asset to its working condition for its intended use only. 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. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. When significant parts of plant and equipment are required to be replaced at intervals, the Group 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 the statement of 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 note 40 regarding significant accounting judgements, estimates and assumptions and provisions 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Group 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, Trolleys	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 (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 trolleys, iron storage racks 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.

## 11. 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 the statement of profit and loss in the period in which the expenditure is incurred.

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

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 infinite to finite is made on a prospective basis.

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

Intangible assets are amortised on straight line method as under:

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

- Technical Know-how and Brands are amortised over a period of twenty years.

## Technical know-how and Brand

The Group 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 Group has acquired global rights of "CEAT" brand from the Italian tyre maker, Pirelli. Prior to the said acquisition, the Group 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 Group. The Group 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

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group 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. Amortization 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. Amortization 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.

## 12. 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 Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group 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 Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group 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 Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

## 13. 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 group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

### Group 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 Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at fair value of the leased property at the inception date 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

are capitalised in accordance with the Group'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 Group 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.

## Group as a lessor

### Finance lease

There are no finance leases where the Group is a lessor.

## Operating lease

Rental income from operating lease is recognised on a straight line basis over the lease term unless payments to the Group are structured to increase in line with expected general inflation to compensate for the Group's expected inflationary cost increase. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 14. 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 costs. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

- Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, 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.

## 15. Impairment of non-financial assets

The Group 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 Group 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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 Group 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 Group 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.

## 16. Provisions

Provisions are recognised when the Group 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 Group 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

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.

## 17. 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 Group has no obligation, other than the contribution payable to these funds/schemes. The Group recognizes contribution payable to these funds/schemes as expenditure, when an employee renders the related service. If the contribution payable to these funds/schemes for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to these funds/schemes 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 Group has a defined benefit gratuity plan, which requires contribution to be made to a separately administered fund. The Group'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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 the statement of profit and loss in subsequent periods.

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the 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 Group 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 Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes and this is shown under long term provisions in the Balance Sheet. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred. The Group 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 Group 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 Group recognizes termination benefit as a liability and an expense when the Group 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.

## 18. 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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

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

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

#### Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of 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 the statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the Effective Interest Rate (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 Group 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 Group 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 Group may make an irrevocable election to present subsequent changes in the fair value in other comprehensive income. The Group 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 other comprehensive income (OCI). There is no recycling of the amounts from OCI to the statement of profit and loss, even on sale of investment. However, the Group 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group has retained.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 Group could be required to repay.

## Impairment of financial assets

In accordance with Ind AS 109, the Group 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

The Group 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 Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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

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

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

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

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

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the 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 Group 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

For assessing increase in credit risk and impairment loss, the Group 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 Group 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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

#### Subsequent measurement

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

#### Financial liabilities at 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 group 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 statement of 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 other comprehensive income (OCI). These gains/ loss are not subsequently

transferred to the statement of profit and loss. However, the Group 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 Group 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 Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

### Derecognition

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

### Reclassification of financial assets

The Group 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 Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group 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 Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

Original classification	Revised classification	Accounting treatment
Amortized cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in the statement of profit and loss.
FVTPL	Amortized Cost	Fair value at reclassification date becomes its new gross carrying amount. Effective Interest Rate (EIR) is calculated based on the new gross carrying amount.
Amortized cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in other comprehensive income (OCI). No change in EIR due to reclassification.
FVTOCI	Amortized cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in other comprehensive income (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 other comprehensive income (OCI) is reclassified to the 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.

## 19. Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, to manage its foreign currency risks. These derivative instruments are not 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 the statement of profit and loss.

### Fair value hedges

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

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit 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 the statement of 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 the statement of 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 Group 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 other income/ other expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Amounts recognised as OCI are transferred to the 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.

### 20. Fair value measurement

The Group 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 Group.

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 Group 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 Group 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 Group 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.

### 21. 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 Group's cash management.

### 22. Dividend distribution to equity holders

The Group recognises a liability to make cash distributions to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 23. Foreign currencies

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

Transactions in foreign currencies are initially recorded by the Group 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 the statement of profit and loss.

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

On consolidation, the assets and liabilities of foreign operations are translated into ₹ at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses a weighted average weekly rates to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in statement of profit and loss.

## 24. Earnings Per Share

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

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

## 25. Segment reporting

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

### Segment Policies

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

## 26. Contingent liability and contingent assets

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 Group 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 Group 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

Particulars	Freehold land	Leasehold land	Buildings	Plant and equipment (Owned)	Plant and equipment (Leased)	Furniture and Fixtures	Vehicles	Office equipments	Capital work in progress	Total
(₹ in lacs)										
<b>Gross carrying amount</b>										
As at April 1, 2015	41,810.61	8,524.30	18,036.33	74,228.09	33.96	770.51	487.33	596.71	22,384.43	1,66,872.27
Additions	4.50	1,840.80	12,167.32	49,566.80	0.65	191.28	92.22	340.02	71,045.49	1,35,249.08
Disposals	(0.61)	-	(471.20)	(806.64)	-	(8.73)	(0.58)	(26.36)	-	(1,314.12)
Transfers/ Capitalised	-	-	-	-	-	-	-	-	(63,921.68)	(63,921.68)
Adjustments during the year	-	-	59.98	(68.05)	(0.38)	0.62	-	7.76	-	(0.07)
Foreign Exchange Adjustment	-	-	-	1.72	-	1.07	-	0.79	315.55	319.13
<b>As at March 31, 2016</b>	<b>41,814.50</b>	<b>10,365.10</b>	<b>29,792.43</b>	<b>1,22,921.92</b>	<b>34.23</b>	<b>954.75</b>	<b>578.97</b>	<b>918.92</b>	<b>29,823.79</b>	<b>2,37,204.61</b>
Additions	-	9.12	3,960.92	51,233.30	1.74	205.66	24.90	740.67	57,235.00	1,13,411.31
Disposals	-	-	(103.18)	(538.99)	-	-	(79.39)	(0.27)	-	(721.83)
Transfers/ Capitalised	-	-	-	-	-	-	-	-	(56,140.20)	(56,140.20)
Adjustments during the year	-	(1,286.66)	(1,261.63)	1,261.63	-	-	-	-	1,286.66	-
Foreign Exchange Adjustment	-	-	-	(1.50)	-	(0.95)	-	(0.67)	(277.06)	(280.18)
<b>As at March 31, 2017</b>	<b>41,814.50</b>	<b>9,087.56</b>	<b>32,388.54</b>	<b>1,74,876.36</b>	<b>35.97</b>	<b>1,159.46</b>	<b>524.48</b>	<b>1,658.65</b>	<b>31,928.19</b>	<b>2,93,473.71</b>
<b>Accumulated depreciation</b>										
As at April 1, 2015	-	-	-	-	-	-	-	-	-	-
Depreciation for the year*	-	92.77	981.27	8,717.79	0.85	94.14	113.35	113.70	-	10,113.87
On disposals	-	-	(4.60)	(53.19)	-	(1.26)	-	(4.58)	-	(63.63)
Adjustments during the year	-	-	-	-	-	-	-	-	-	-
Foreign Exchange Adjustment	-	-	-	0.15	-	0.02	-	0.04	-	0.21
<b>As at March 31, 2016</b>	<b>-</b>	<b>92.77</b>	<b>976.67</b>	<b>8,664.75</b>	<b>0.85</b>	<b>92.90</b>	<b>113.35</b>	<b>109.16</b>	<b>-</b>	<b>10,050.45</b>
Depreciation for the year*	-	128.32	1,133.45	11,646.34	1.67	119.92	88.94	220.07	-	13,338.71
On disposals	-	-	(34.06)	(105.97)	-	-	(30.89)	(0.06)	-	(170.98)
Adjustments during the year	-	-	(8.72)	8.72	-	-	-	-	-	-
Foreign Exchange Adjustment	-	-	-	(1.09)	-	(0.22)	-	(0.35)	-	(1.66)
<b>As at March 31, 2017</b>	<b>-</b>	<b>221.09</b>	<b>2,067.34</b>	<b>20,212.75</b>	<b>2.52</b>	<b>212.60</b>	<b>171.40</b>	<b>328.82</b>	<b>-</b>	<b>23,216.52</b>
<b>Net book value:</b>										
As at April 1, 2015	41,810.61	8,524.30	18,036.33	74,228.09	33.96	770.51	487.33	596.71	22,384.43	1,66,872.27
As at March 31, 2016	41,814.50	10,272.33	28,815.76	1,14,257.17	33.38	861.85	465.62	809.76	29,823.79	2,27,154.16
<b>As at March 31, 2017</b>	<b>41,814.50</b>	<b>8,866.47</b>	<b>30,321.20</b>	<b>1,54,663.61</b>	<b>33.45</b>	<b>946.86</b>	<b>353.08</b>	<b>1,329.83</b>	<b>31,928.19</b>	<b>2,70,257.19</b>

Adjustments include regrouping of certain assets into other class of assets

\* The depreciation for the period includes ₹ 52.99 lacs (March 31, 2016: ₹ 21.07 lacs) on account of leasehold land of CEAT Specialty Tyres Limited which has been included in capital work in progress.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### Net book value

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Property, plant and equipment	2,38,329.00	1,97,330.37	1,44,487.84
Capital work in progress	31,928.19	29,823.79	22,384.43

- Building includes ₹ 0.10 lacs as at March 31, 2017 (March 31, 2016 ₹ 0.10 Lacs; April 1, 2015 ₹ 0.10 lacs) being value of unquoted fully-paid shares held in various co-operative housing societies.
- During the previous year, the group has sold the following assets that were held for sale in the year 2014-15:
  - Freehold land at Gujarat having book value of ₹ 0.60 Lacs.
- During the year, the group has transferred the following expenses which are attributable to the construction activity and are included in the cost of capital work-in-progress (CWIP) / Fixed assets as the case may be. Consequently, expenses disclosed under the respective notes are net of such amounts.

(₹ in lacs)			
Particulars	Note No.	2016-17	2015-16
Finance Cost	34	3,220.19	1,447.08
Professional and consultancy charges	36	456.53	933.60
Miscellaneous expenses	36	2,522.38	2,035.54
Employee benefit expenses	33	608.98	1,563.18
Travelling & Conveyance	36	175.32	389.80
<b>Total</b>		<b>6,983.40</b>	<b>6,369.20</b>

- As a part of ongoing expansion project at Halol, during the year the Company has capitalised and commissioned assets of ₹ 18,343.21 Lacs (March 31, 2016 ₹ 44,768.09 lacs). This has resulted in the installed capacity as on March 31, 2017 to 76 MT per day (as on March 31, 2016 39 MT per day). Full expansion project of 120 MT per day is however expected to be commissioned, in phase, by end of July 2017.
- During the previous year, the Company had commissioned, its Greenfield Unit, situated at Butibori, near Nagpur, Maharashtra, with effect from March 28, 2016. Accordingly, the Company has capitalised the assets amounting to ₹ 22,995.61 lacs (March 31, 2016: ₹ 9,375.40 lacs). This has resulted in the installed capacity as on March 31, 2017 to 54 MT per day (as on March 31, 2016 15 MT per day). Full expansion project of 120 MT per day is expected to be commissioned, in phases, by end of FY 2017-18.
- The amount of borrowing costs capitalised during the year ended March 31, 2017 was ₹ 3,220.19 lacs (March 31, 2016: ₹ 1,447.08 lacs). The rate used to determine the amount of borrowing costs eligible for capitalisation was in the range of 8.74% to 8.89% (March 31, 2016 9.50%) which is the effective interest rate of specific borrowings.
- Refer note 20 for details on pledges and securities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### Note 4: Intangible assets

(₹ in lacs)

Particulars	Software	Brand	Technical know how	Product Development	Total
<b>Cost</b>					
<b>As at April 1, 2015</b>	<b>547.66</b>	<b>4,403.52</b>	<b>704.38</b>	-	<b>5,655.56</b>
Additions	900.58	-	-	-	900.58
Disposals	-	-	-	-	-
Adjustments during the year	0.07	-	-	-	0.07
Foreign Exchange Adjustments	1.11	-	-	-	1.11
<b>As at March 31, 2016</b>	<b>1,449.42</b>	<b>4,403.52</b>	<b>704.38</b>	-	<b>6,557.32</b>
Additions	1,036.55	-	-	1,031.82	2,068.37
Disposals	-	-	-	-	-
Foreign Exchange Adjustments	(0.99)	-	-	-	(0.99)
<b>As at March 31, 2017</b>	<b>2,484.98</b>	<b>4,403.52</b>	<b>704.38</b>	<b>1,031.82</b>	<b>8,624.70</b>
<b>Accumulated amortization</b>					
<b>As at April 1, 2015</b>	-	-	-	-	-
Amortization for the year	373.32	264.51	41.37	-	679.20
Disposals	-	-	-	-	-
Foreign Exchange Adjustments	1.48	-	-	-	1.48
<b>As at March 31, 2016</b>	<b>374.80</b>	<b>264.51</b>	<b>41.37</b>	-	<b>680.68</b>
Amortization for the year	655.96	264.51	41.37	60.51	1,022.35
Disposals	-	-	-	-	-
Foreign Exchange Adjustments	(2.33)	-	-	-	(2.33)
<b>As at March 31, 2017</b>	<b>1,028.43</b>	<b>529.02</b>	<b>82.74</b>	<b>60.51</b>	<b>1,700.70</b>
<b>Net book value</b>					
<b>As at April 1, 2015</b>	<b>547.66</b>	<b>4,403.52</b>	<b>704.38</b>	-	<b>5,655.56</b>
<b>As at March 31, 2016</b>	<b>1,074.62</b>	<b>4,139.01</b>	<b>663.01</b>	-	<b>5,876.64</b>
<b>As at March 31, 2017</b>	<b>1,456.55</b>	<b>3,874.50</b>	<b>621.64</b>	<b>971.31</b>	<b>6,924.00</b>

(₹ in lacs)

Net Book Value	Intangible Assets under Development
As at March 31, 2017	697.60
As at March 31, 2016	84.36
As at April 1, 2015	-

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 for 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 5: Investments

(₹ in lacs)

	Face Value	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current</b>				
<b>Investment in Joint Venture (at amortised cost) (refer note 43)</b>				
CEAT Kelani Holdings (Pvt.) Limited		16,732.85	15,527.76	13,053.27
<b>Unquoted equity shares (at amortised cost) (non-trade)</b>				
Investment in 1,800 equity shares of Maestro Comtrade Private Limited (March 31, 2016: 1,800, April 1, 2015: 1,800)	₹ 10	0.18	0.18	0.18
<b>Investment in others (at amortised cost) (non-trade)</b>				
National Saving Certificates VIII issue*		0.15	0.15	0.15
Rado Employees Co-operative Society		0.10	0.10	0.10
<b>Aggregate value of unquoted investments</b>		<b>16,733.28</b>	<b>15,528.19</b>	<b>13,053.70</b>

\* Pledged as security for sales tax purpose

## Note 6: Loans

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current (at amortised cost)</b>			
<b>Secured, considered good</b>			
Security deposits	-	216.78	144.51
<b>Unsecured, considered good</b>			
Security deposits	7.53	67.16	119.39
<b>Unsecured, considered doubtful</b>			
Security deposits	92.35	74.30	50.55
Less : Provision made for doubtful deposits	(92.35)	(74.30)	(50.55)
<b>Total</b>	<b>7.53</b>	<b>283.94</b>	<b>263.90</b>

## Note 7: Other financial assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current</b>			
<b>Unsecured, considered good</b>			
<b>At fair value through profit and loss</b>			
Margin money deposits*	353.75	402.76	422.86
<b>At fair value through other comprehensive income</b>			
Revaluation of hedging instruments	-	-	348.18
<b>At amortised cost</b>			
Other financial assets	224.55		
<b>Total</b>	<b>578.30</b>	<b>402.76</b>	<b>771.04</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 8: Other non-current assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Unsecured, considered good</b>			
Capital advances	4,063.25	4,306.19	4,456.34
Security deposits with statutory authorities	4,269.79	897.68	937.84
Minimum Alternate Tax (MAT) credit entitlement	6,842.28	-	-
Unamortised ancillary cost of borrowing	-	59.06	75.57
Others	7.25	-	-
<b>Unsecured, considered doubtful</b>			
Balance with government authorities and agencies	293.61	218.13	268.68
Less : Provision made for deposits	(293.61)	(218.13)	(268.68)
<b>Total</b>	<b>15,182.57</b>	<b>5,262.93</b>	<b>5,469.75</b>

## Note 9: Inventories

(At cost or net realisable value whichever is lower)

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
a) Raw materials	37,825.93	15,852.72	18,555.60
Goods in transit	4,894.31	4,645.38	3,957.63
	<b>42,720.24</b>	<b>20,498.10</b>	<b>22,513.23</b>
b) Work-in-progress	3,148.70	2,483.83	2,024.48
c) Finished goods (refer note i)	40,779.05	32,844.07	33,837.52
d) Stock-in-trade	3,858.82	3,795.94	2,343.19
Goods in transit	506.69	1,120.87	682.24
	<b>4,365.51</b>	<b>4,916.81</b>	<b>3,025.43</b>
e) Stores and spares	3,269.43	3,211.63	3,935.29
Goods in transit	65.34	16.66	7.25
	<b>3,334.77</b>	<b>3,228.29</b>	<b>3,942.54</b>
<b>Total</b>	<b>94,348.27</b>	<b>63,971.10</b>	<b>65,343.20</b>
<b>i) Details of finished goods</b>			
Automotive tyres	34,321.70	27,054.23	26,962.15
Tubes and others	6,457.35	5,789.84	6,875.37
<b>Total</b>	<b>40,779.05</b>	<b>32,844.07</b>	<b>33,837.52</b>

### Notes:

- Cost of inventory recognised as an expense as at March 31, 2017 includes ₹ 2,099.34 lacs ( March 31, 2016 ₹ 1,852.04 lacs) in respect of write down due to net realisable value or slow moving.
- 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)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 10: Investments

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current</b>			
<b>(At fair value through profit and loss)</b>			
<b>Investment in units of liquid mutual funds and debentures (Quoted)</b>			
<b>a) unit of Face value ₹ 10 each, fully-paid up</b>			
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 1,89,97,090) units of Sundaram Money Fund - Regular - Growth	-	-	1,919.18
<b>b) unit of Face value ₹ 100 each, fully-paid up</b>			
NIL (As at March 31, 2016: 15,696, As at April 1, 2015: NIL) units of Birla Sun life cash plus- Direct- Daily dividend	-	15.72	-
<b>c) unit of Face value ₹ 1,000 each, fully-paid up</b>			
NIL (As at March 31, 2016: 57,547, As at April 1, 2015: NIL) units of Baroda Pioneer Liquid Fund - Plan B - Direct - Growth	-	1,001.66	-
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 1,00,563) units of BOI AXA Treasury Advantage Fund - Direct - Growth	-	-	1,008.57
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 3,09,265) units of Franklin India TMA - Direct - Growth	-	-	3,098.38
NIL (As at March 31, 2016: 97, As at April 1, 2015: NIL) units of Franklin India Treasury Management Account- Super Institutional Plan- Daily Dividend Reinvestment	-	0.97	-
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 5,91,853) units of Indiabulls Liquid Fund - Direct- Growth	-	-	5,921.09
15,158 (As at March 31, 2016: 40,321, As at April 1, 2015: 3,27,497) units of Kotak Floater - Short - Term - Regular - Growth	403.80	1,000.91	4,004.66
NIL (As at March 31, 2016: 25, As at April 1, 2015: NIL) units of Kotak Floater - Short - Term- Daily Dividend	-	0.26	-
NIL (As at March 31, 2016: 48,168, As at April 1, 2015: NIL) units of L&T Liquid Fund - Direct - Growth	-	1,000.89	-
10,176 (As at March 31, 2016: 36,434, As at April 1, 2015: NIL) units of LIC Nomura MF Liquid Fund - Direct - Growth	300.08	1,000.83	-
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 1,85,199) Units of Reliance Liquid Fund - Cash Plan - Direct - Growth	-	-	2,063.40
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 6) Units of Reliance Liquid Fund - TP - Direct - Growth	-	-	0.09
39,191 (As at March 31, 2016: NIL, As at April 1, 2015: 5,02,771) Units of SBI Premier Liquid Fund - Direct - Growth	1,000.28	-	5,077.54
NIL (As at March 31, 2016: NIL, As at April 1, 2015: 3,27,526) Units of Taurus Liquid Fund - Direct - Growth	-	-	5,011.83
93,77,051 (As at March 31, 2016: NIL, As at April 1, 2015: 3,13,776) Units of Taurus Short - Term Income Fund - Direct - Growth	1,321.78	-	3,138.58
32,940 (As at March 31, 2016: NIL, As at April 1, 2015: NIL) Units of UTI Money Market- Direct - Growth	600.89	-	-
1,33,384 (As at March 31, 2016: NIL, As at April 1, 2015: NIL) Units of ICICI Prudential - Direct - Growth	300.05	-	-
<b>d) unit of Face value ₹ 1,00,000 each, fully-paid up</b>			
2,500 (As at March 31, 2016: NIL, As at April 1, 2015: NIL) Units of Reliance capital limited - Market linked debentures	2,500.00	-	-
<b>Aggregate book value of quoted investment</b>	<b>6,426.88</b>	<b>4,021.24</b>	<b>31,243.32</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 11: Trade receivables

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade receivables from others	61,193.47	58,968.48	66,993.43
Trade receivables from related parties (refer note 46)	186.38	382.56	324.61
<b>Total receivables</b>	<b>61,379.85</b>	<b>59,351.04</b>	<b>67,318.04</b>

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Break-up for security details</b>			
Secured, considered good*	22,769.31	19,591.24	23,999.50
Unsecured, considered good	38,610.54	39,759.80	43,318.54
Doubtful	3,325.65	1,797.16	1,379.18
<b>Total</b>	<b>64,705.50</b>	<b>61,148.20</b>	<b>68,697.22</b>
Allowance for doubtful trade receivables	(3,325.65)	(1,797.16)	(1,379.18)
<b>Total</b>	<b>61,379.85</b>	<b>59,351.04</b>	<b>67,318.04</b>

\*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 Group either severally or jointly with any other person. For terms and conditions relating to related party receivables, refer note 46.

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

## Note 12: Cash and cash equivalents

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Balances with Banks</b>			
On current accounts (Refer foot note a)	1,942.64	1,360.06	5,546.11
On remittance in transit	-	-	1,496.94
Cash on hand	8.45	5.80	14.71
Deposits with maturity of less than 3 months	450.00	-	-
<b>Cash and cash equivalent as per statement of cash flow</b>	<b>2,401.09</b>	<b>1,365.86</b>	<b>7,057.76</b>

- a) Includes ₹ NIL for March 31, 2017 (March 31, 2016: ₹ NIL, April 1, 2015: ₹ 4.53 lacs) outstanding for a period exceeding seven years. This amount is no longer payable as the Company has adjusted this amount towards call-in arrears of partly paid-up equity shares of the Company held by the shareholders, pursuant to a resolution passed by the Board of Directors.

## Note 13: Bank balances other than cash and cash equivalents

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deposits with Maturity of more than 3 months but less than 12 months (Refer foot note a)	868.97	4,413.68	2,103.98
Balances held for unclaimed public deposits and interest thereon (Refer foot note b)	128.20	308.05	454.11
Balances held for unpaid/unclaimed dividend accounts (Refer foot note c)	193.81	215.79	109.53
<b>Total</b>	<b>1,190.98</b>	<b>4,937.52</b>	<b>2,667.62</b>

Note:

- a) Deposit to the extent of ₹ 0.20 lacs (March 31, 2016 ₹ 750.20 lacs, April 1, 2015 ₹ 637.41 Lacs) is created for the purpose of deposit repayment reserve account and cannot be used for any other purpose.
- b) These balances are available for use only towards settlement of matured deposits and interest on deposits. Also includes ₹ 0.20 Lacs (March 31, 2016 ₹ 0.20 lacs, April 1, 2015 ₹ 0.20 lacs) outstanding for a period exceeding seven years, in respect of which a Government agency has directed to the Company to hold and not transfer / repay.
- c) These balances are available for use only towards settlement of corresponding unpaid dividend liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 14: Loans

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current (at amortised cost)</b>			
<b>Unsecured, considered good</b>			
Advance receivable in cash	-	128.97	174.58
Other receivables	127.47	151.09	152.72
<b>Unsecured, considered doubtful</b>			
Loans advances and deposits	162.76	132.00	132.00
Less: Provision for doubtful advances and deposits	(162.76)	(132.00)	(132.00)
<b>Total</b>	<b>127.47</b>	<b>280.06</b>	<b>327.30</b>

## Note 15: Other financial assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Current</b>			
<b>Unsecured, considered good</b>			
<b>At fair value through other comprehensive income</b>			
Derivative instrument	-	157.54	883.47
<b>At amortised cost</b>			
Advance receivable in cash	968.64	-	248.37
Interest receivable	4.69	27.37	37.02
Recoverable against fire loss	-	470.00	442.29
Receivable from joint ventures	274.76	232.80	227.92
Unamortised premium on forward contract	122.78	-	-
<b>Total</b>	<b>1,370.87</b>	<b>887.71</b>	<b>1,839.07</b>

## Note 16: Other current assets

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Unsecured, considered good</b>			
Advance receivable in kind or for value to be received and other current assets	8,672.03	3,819.38	1,677.47
Balance with customs, port trust, excise etc.	8,230.99	9,902.15	5,467.14
Other current assets	48.54	784.60	570.30
<b>Unsecured, considered doubtful</b>			
Advance receivable in kind or for value to be received	44.22	-	-
Less: Provision for advance receivable in kind or for value to be received	(44.22)	-	-
<b>Total</b>	<b>16,951.56</b>	<b>14,506.13</b>	<b>7,714.91</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 17: Equity share capital

Authorised share capital	Equity shares		Preference shares		Unclassified shares	
	Numbers	₹ in lacs	Numbers	₹ in lacs	Numbers	₹ in lacs
At April 1, 2015	4,61,00,000	4,610.00	39,00,000	390.00	1,00,00,000	1,000.00
Increase / (decrease) during the year		-	-	-	-	-
At March 31, 2016	4,61,00,000	4,610.00	39,00,000	390.00	1,00,00,000	1,000.00
Increase / (decrease) during the year	-	-	-	-	-	-
At March 31, 2017	4,61,00,000	4,610.00	39,00,000	390.00	1,00,00,000	1,000.00

## Issued equity share capital

### Equity shares of ₹ 10 each issued

	Numbers	₹ in lacs
At April 1, 2015 (refer foot note a)	40,450,780	4,045.08
Allotted during the year	-	-
At March 31, 2016 (refer foot note a)	40,450,780	4,045.08
Allotted during the year	-	-
At March 31, 2017 (refer foot note a)	40,450,780	4,045.08

## Subscribed equity share capital

### Equity shares of ₹ 10 each subscribed and fully paid

	Numbers	₹ in lacs
At April 1, 2015	40,450,092	4,045.01
Allotted during the year	-	-
At March 31, 2016	40,450,092	4,045.01
Allotted during the year	-	-
At March 31, 2017	40,450,092	4,045.01

a) Includes 688 (March 31, 2016- 688; April 1, 2015- 688) equity shares offered on right basis and kept in abeyance.

### b) Terms/ rights attached to equity shares

The Group 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. The Board of Directors have a right to deduct from the dividend payable to any member, any sum due from him to the Group.

In the event of winding-up, the holders of equity shares shall be entitled to receive remaining assets of the Group 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 group

Name of the shareholders	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Numbers	% holding in the class	Numbers	% holding in the class	Numbers	% holding in the class
<b>Equity shares of ₹ 10 each fully paid</b>						
Instant Holdings Limited	11,510,812	28.46%	11,510,812	28.46%	11,510,812	28.46%
Swallow Associates LLP	4,484,624	11.09%	4,484,624	11.09%	4,484,624	11.09%
Kotak Mahindra (International) Limited	-	-	-	-	2,515,700	6.22%
TIAA-CREF Institutional Mutual Fund International	-	-	-	-	2,160,298	5.34%

d) As per the records of the Company as at March 31, 2017, 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 five years immediately preceeding March 31, 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 18: Other equity

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Securities premium reserve (refer note a)	56,702.93	56,702.93	56,702.93
Capital reserve (refer note b)	1,391.91	1,405.43	1,389.79
Capital redemption reserve (refer note c)	390.00	390.00	390.00
Cash flow hedge reserve (refer note d)	207.73	3.89	39.17
Debenture Redemption Reserve (DRR) (refer note e)	3,334.00	1,667.00	-
Foreign currency translation reserve (refer note f)	46.44	110.17	-
General reserve (refer note g)	20,164.89	20,164.89	20,164.89
Retained earnings (refer note h)	1,55,212.52	1,20,984.62	88,612.34
<b>Total other equity</b>	<b>2,37,450.42</b>	<b>2,01,428.93</b>	<b>1,67,299.12</b>

### 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, 2015	56,702.93
At March 31, 2016	56,702.93
At March 31, 2017	<b>56,702.93</b>

### b) Capital reserve

Capital reserve includes profit on amalgamation of entities and on account of consolidation of the Company's Bangladesh subsidiary, CEAT AKKhan Limited (FY 2013-14)

	₹ in Lacs
At April 1, 2015	<b>1,389.79</b>
Add: Foreign Exchange fluctuation on restatement of capital reserve	15.64
At March 31, 2016	<b>1,405.43</b>
Less: Foreign Exchange fluctuation on restatement of capital reserve	(13.52)
At March 31, 2017	<b>1,391.91</b>

### c) Capital redemption reserve

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

	₹ in Lacs
At April 1, 2015	390.00
At March 31, 2016	390.00
At March 31, 2017	<b>390.00</b>

### 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, 2015	<b>39.17</b>
Gain / (Loss) arising during the year	(35.28)
At March 31, 2016	<b>3.89</b>
Gain / (Loss) arising during the year	203.84
At March 31, 2017	<b>207.73</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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, 2015	-
Add: Transfer from retained earnings during the year	1,667.00
At March 31, 2016	1,667.00
Add: Transfer from retained earnings during the year	1,667.00
At March 31, 2017	3,334.00

## f) Foreign currency translation reserve

It represents aggregate exchange difference arising on consolidation of our foreign subsidiaries. For the purpose of consolidation, the balance sheet items are translated at closing exchange rate as at the balance sheet date and revenue items are translated at average exchange rate as at the date of transaction, including the difference of rupee and subsidiaries reporting currency which is accumulated to foreign currency translation reserve.

	₹ in Lacs
At April 1, 2015	-
Gain / (Loss) arising during the year	110.17
At March 31, 2016	110.17
Gain / (Loss) arising during the year	(63.73)
At March 31, 2017	46.44

## g) 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 the statement of profit and loss.

	₹ in Lacs
At April 1, 2015	20,164.89
At March 31, 2016	20,164.89
At March 31, 2017	20,164.89

## h) Retained earnings

	₹ in Lacs
As at April 1, 2015	88,612.34
Profit for the year	43,754.17
Other comprehensive income	183.66
Payment of dividend	(8,696.77)
Payment of Dividend Distribution Tax (DDT)	(1,201.79)
Transfer to Debenture Redemption Reserve (DRR)	(1,667.00)
As at March 31, 2016	1,20,984.61
Profit for the year	36,115.46
Other comprehensive income	(251.54)
Transfer to Debenture Redemption Reserve (DRR)	(1,667.00)
Others	30.99
As at March 31, 2017	1,55,212.52

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 19: Distribution made and proposed

(₹ in lacs)

	31 March, 2017	31 March, 2016
<b>Cash dividends on equity shares declared and paid</b>		
Final dividend for the year ended on March 31, 2015 (₹ 10 per share)	-	4,045.01
Dividend Distribution Tax (DDT) on final dividend	-	487.68
Interim dividend for the year ended on March 31, 2016 (₹ 11.50 per share)	-	4,651.76
Dividend Distribution Tax (DDT) on interim dividend	-	714.11
<b>Total</b>	-	<b>9,898.56</b>

(₹ in lacs)

	31 March, 2017	31 March, 2016	April 1, 2015
<b>Proposed dividends on equity shares</b>			
Final cash dividend for the year ended on March 31, 2017: ₹ 11.50 per share (March 31, 2016: NIL per share, April 1, 2015: ₹ 10 per share)	4,651.77	-	4,045.01
Dividend Distribution Tax (DDT) on proposed dividend	946.98	-	487.67
<b>Total</b>	<b>5,598.75</b>	-	<b>4,532.68</b>

Proposed dividends on equity shares which are subject to approval at the annual general meeting and are not recognised as a liability (including dividend distribution tax (DDT) thereon) in the year in which it is proposed.

## Note 20: Borrowings

(at amortised cost)

(₹ in lacs)

	Non-current			Current		
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Interest bearing loans and borrowings</b>						
<b>I. Secured</b>						
<b>Debentures</b>						
Non-convertible debentures (Refer foot note 1)	19,950.00	19,944.00	-	-	-	-
<b>Term loans</b>						
<b>a) Indian rupee loan from banks</b>						
HSBC Bank (refer foot note 2)	-	1,562.50	2,812.50	-	1,250.00	1,250.00
Export Import bank of India (refer foot note 3)	10,833.18	7,525.08	-	-	-	-
Kotak Mahindra Bank Limited (refer foot note 4)	2,943.21	2,935.27	-	-	-	-
Bank of India (refer foot note 5)	-	-	9,957.74	-	-	-
ICICI Bank Ltd. (refer foot note 6)	-	-	6,932.92	-	-	-
ICICI Bank Ltd. (refer foot note 7)	-	-	2,017.81	-	-	1,350.00
ICICI Bank Ltd. (refer foot note 8)	-	-	-	-	-	1,159.14
Bank of India (refer foot note 9)	-	-	1,412.33	-	-	1,500.00
IDBI Bank Ltd. (refer foot note 10)	-	-	376.10	-	-	376.94
Bank of Baroda (refer foot note 11)	-	-	749.62	-	-	1,000.00
HSBC Bank (refer foot note 12)	6,978.02	-	-	1,000.00	-	-
Export Import Bank of India (refer foot note 13)	-	-	488.65	-	489.98	979.95
Yes Bank (refer foot note 14)	2,500.00	-	-	-	-	-
ICICI Bank Ltd. (refer foot note 15)	4,500.00	-	-	-	-	-
<b>b) Foreign currency loan from banks</b>						
Export Import Bank of India (Refer foot note 13)	-	-	686.12	-	728.77	1,375.00
ICICI Bank Ltd. - ECB Loan (Refer foot note 16)	-	-	651.04	-	-	1,302.08
ICICI Bank Ltd. - FCNR Loan (Refer foot note 17)	3,819.09	-	-	-	-	-
<b>c) Buyer's Credit (Refer foot note 18, 19 &amp; 20)</b>	<b>30,688.75</b>	<b>21,281.67</b>	<b>1,800.16</b>	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

	Non-current			Current		
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>II. Unsecured</b>						
a) Public deposits (Refer foot note 21)	0.20	2,153.76	3,450.06	-	1,262.09	4,154.33
b) Deferred sales tax incentive (Refer foot note 22)	3,030.81	3,388.87	3,830.91	358.06	442.06	364.10
	<b>85,243.26</b>	<b>58,791.15</b>	<b>35,165.96</b>	<b>1,358.06</b>	<b>4,172.90</b>	<b>14,811.54</b>
Less: amount classified under other financial liabilities (refer note 27)	-	-	-	(1,358.06)	(4,172.90)	(14,811.54)
<b>Total</b>	<b>85,243.26</b>	<b>58,791.15</b>	<b>35,165.96</b>	<b>-</b>	<b>-</b>	<b>-</b>

1. Non-Convertible Debentures (NCD) ₹ 20,000.00 lacs (March 31, 2016: ₹ 20,000.00 lacs, April 1, 2015: ₹ Nil) 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 Nashik Plant. As at March 31, 2017, the NCDs carry an interest at 9.25% p.a. and is repayable as under:

- NCD Series 1: ₹ 1,000.00 lacs (5% of the issue amount) repayable on July 31, 2019
- NCD Series 2: ₹ 3,000.00 lacs (15% of the issue amount) repayable on July 31, 2020
- NCD Series 3: ₹ 3,000.00 lacs (15% of the issue amount) repayable on July 31, 2021
- NCD Series 4: ₹ 3,000.00 lacs (15% of the issue amount) repayable on July 31, 2022
- NCD Series 5: ₹ 4,000.00 lacs (20% of the issue amount) repayable on July 31, 2023
- NCD Series 6: ₹ 4,000.00 lacs (20% of the issue amount) repayable on July 31, 2024
- NCD Series 7: ₹ 2,000.00 lacs (10% of the issue amount) repayable on July 31, 2025

2. Term loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) of ₹ Nil (March 31, 2016: ₹ 2,812.50 lacs, April 1, 2015: ₹ 4,062.50 lacs) was pre-paid in full including interest thereon on June 21, 2016. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carried interest at 9.65% p.a. as on March 31, 2016.

3. Term Loan from Export Import Bank of India (EXIM) ₹ 10,900.00 lacs (March 31, 2016: ₹ 7,600.00 lacs, April 1, 2015: ₹ Nil) is 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. (The Company has created the first charge on the movable properties (except current assets) and the second charge on the current assets of the Company. The security on the immovable property of the Company situated at Halol is created). It carries interest at 9.50% p.a. as at March 31, 2017 and is repayable as under:

Year	% of loan	Schedule of repayment
2018-19	5%	Over 4 equal quarterly instalments
2019-20	10%	Over 4 equal quarterly instalments
2020-21	15%	Over 4 equal quarterly instalments
2021-22	15%	Over 4 equal quarterly instalments
2022-23	15%	Over 4 equal quarterly instalments
2023-24	20%	Over 4 equal quarterly instalments
2024-25	20%	Over 4 equal quarterly instalments

4. Term Loan from Kotak Mahindra Bank Limited of ₹ 3,000.00 lacs (March 31, 2016: ₹ 3,000.00 lacs, April 1, 2015: ₹ Nil) is 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. (The Company has created the first charge on the movable properties (except current assets) and the second charge on the current assets of the Company. The security on the immovable property of the Company situated at Halol is created). It carries interest at 9.15% p.a. as at March 31, 2017 and is repayable as under:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Year	% of loan	Schedule of repayment
2018-19	5%	Over 4 equal quarterly instalments
2019-20	10%	Over 4 equal quarterly instalments
2020-21	15%	Over 4 equal quarterly instalments
2021-22	15%	Over 4 equal quarterly instalments
2022-23	15%	Over 4 equal quarterly instalments
2023-24	20%	Over 4 equal quarterly instalments
2024-25	20%	Over 4 equal quarterly instalments

5. Term loan from Bank of India ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 10,000.00 lacs) was pre-paid in full including interest thereon on July 31, 2015. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup and Nashik plants. It carried interest at 11.50% p.a. as on March 31, 2015.
6. Term loan from ICICI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 7,000.00 lacs) was pre-paid in full including interest thereon on August 4, 2015. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup and Nashik plants. It carried interest at 11.50% p.a. as on March 31, 2015.
7. Term loan from ICICI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 3,375.00 lacs) was pre-paid in full including interest thereon on July 11, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 12% p.a. as on March 31, 2015.
8. Term loan from ICICI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 1,166.67 lacs) was repaid in full including interest thereon on August 10, 2015. It was secured by a first pari passu charge over the Company's immovable assets both present and future situated at Bhandup plant. It carried interest at 12% p.a. as on March 31, 2015.
9. Term loan from Bank of India ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 2,913.58 lacs) was pre-paid in full including interest thereon on July 31, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 11.50% p.a. as on March 31, 2015.
10. Term loan from IDBI Bank Limited of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 753.38 lacs) was pre-paid in full including interest thereon on August 31, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 12% p.a. as on March 31, 2015.
11. Term loan from Bank of Baroda of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 1,750.00 lacs) was repaid in full including interest thereon on August 31, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 12% p.a. as on March 31, 2015.
12. Term Loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) of ₹ 8,000.00 lacs (March 31, 2016: ₹ Nil, April 1, 2015: ₹ Nil) is secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carries interest at 8.13% p.a. and 8.33% p.a. as on March 31, 2017 and is repayable in 16 quarterly instalments post moratorium of 12 months from the date of first disbursement. (The mortgage for the loan will be completed as a part of security trustee arrangement).
13. Term loan in Indian rupee & in foreign currency from Export Import Bank of India of ₹ Nil (March 31, 2016: ₹ 1,218.75 lacs, April 1, 2015: ₹ 3,532.43 lacs) has been repaid in full along with the interest as per the repayment schedule. Last instalment was paid on August 01, 2016. It was secured by first pari passu charge on Company's movable assets (except current assets) and immovable assets located at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company. Rupee loan carried interest at 10.45% p.a. and foreign currency loan carried interest at 6 months LIBOR plus 275 bps p.a. as on March 31, 2016.
14. Term Loan from YES Bank of ₹ 2,500.00 lacs is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower and second pari-passu charge by way of hypothecation on all current assets of the Borrower. (The creation of security for immovable properties situated at Ambarnath is pending as on March 31, 2017). It carries interest at 8.85% p.a.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

as at March 31, 2017 and is repayable as under:

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

15. Term Loan from ICICI Bank of ₹ 4500.00 lacs is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower and second pari-passu charge by way of hypothecation on all current assets of the Borrower. (The creation of security for immovable properties situated at Ambarnath is pending as on March 31, 2017). It carries interest at 8.5% p.a. as at March 31, 2017 and is repayable as under:

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

16. External Commercial Borrowing (ECB loan) from ICICI Bank Ltd. of ₹ Nil (March 31, 2016: ₹ Nil, April 1, 2015: ₹ 1,953.12 lacs) was pre-paid in full including interest thereon on September 30, 2015. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) both present and future and immovable assets both present and future situated at Bhandup, Halol and Nashik plants and second pari passu charge on the current assets of the Company both present and future. It carried interest at 3 months LIBOR plus 250 bps p.a. as on March 31, 2015.
17. FCNR(B) Rupee Term Loan is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower and second pari-passu charge by way of hypothecation on all current assets of the Borrower. (The creation of security for immovable properties situated at Ambarnath is pending as on March 31, 2017). It carries interest at 8.95% p.a. This loan is sub-limit of term loan sanction as mentioned in the note 15 above. Hence the same repayment schedule will be applicable.

18. 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 Company has created the first charge on the movable properties (except current assets) and the second charge on the current assets of the Company. The security on the immovable property of the Company situated at Halol is created). 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 122 bps p.a. and 6 months LIBOR plus 54 bps p.a. to 6 months LIBOR plus 65 bps p.a. and 12 months EURIBOR plus 54 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.)

19. 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 creation of security for immovable properties situated at Nagpur is complete). 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.)

20. Long-term buyer's credit (for Ambarnath project of CSTL) of ₹ 2,313.17 lacs availed from Yes Bank is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower and second pari-passu charge by way of hypothecation on all current assets of the Borrower. (The creation of security for immovable properties situated at Ambarnath is pending as on March 31, 2017). This buyer's credit is sub-limit of term loan sanction as mentioned in the note 14 above. Hence, the same repayment schedule will be applicable. Buyer's credit (for Ambarnath project of CSTL) of ₹ 1765.81 lacs availed from Kotak Bank is unsecured. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 20 bps p.a. to LIBOR plus 69 bps p.a.

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

21. Public deposits included under the long-term borrowings were pre-paid in full including interest thereon on September 30, 2016. As on March 31, 2017, an amount of ₹ 49.69 lacs (interest) and approx. ₹ 78.22 lacs (principal) remains unclaimed, in cases where the deposit holders have not encashed their warrants or claim is under dispute or the same are delayed or misplaced by the postal authorities. It carried interest in the range of 9.50% p.a. to 10.75% p.a. as on March 31, 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

23. Outstanding balances shown in footnotes above have been grossed up to the extent of unamortised transaction cost.

### Note 21: Other financial liabilities

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current</b>			
<b>At fair value through other comprehensive income</b>			
Derivative instruments	1,520.47	392.91	-
<b>At amortised cost</b>			
Security deposits	145.70	145.20	142.20
<b>Total other financial liabilities</b>	<b>1,666.17</b>	<b>538.11</b>	<b>142.20</b>

### Note 22: Provisions

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non-current provisions</b>			
Provision for warranty (refer note a)	776.58	150.91	402.89
Provision for compensated absences (refer foot note b)	2,635.28	2,291.35	2,223.36
Provision for Gratuity (refer note 44)	166.55	179.26	117.46
Provision for decommissioning liability (refer note c)	54.69	49.06	44.00
	<b>3,633.10</b>	<b>2,670.58</b>	<b>2,787.71</b>
<b>Current provisions</b>			
Provision for warranty (refer note a)	2,524.79	2,878.76	1,906.06
Provision for Gratuity (refer note 44)	1,016.68	217.36	2,054.04
Provision for compensated absences (refer foot note b)	284.03	332.20	230.49
Provision for indirect tax and tax matters (refer foot note d)	346.61	380.00	320.00
Provision for tax and labour matters (refer foot note d)	1,209.48	895.04	749.09
Provision for mark-to-market lossess on derivative contracts	-	-	46.10
Provision for tax on dividend received from subsidiary	-	-	142.28
	<b>5,381.59</b>	<b>4,703.36</b>	<b>5,448.06</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### 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)
<b>As at April 1, 2015</b>	<b>2,308.95</b>
Additions during the year	6,552.48
Utilised during the year	(5,831.76)
<b>As at March 31, 2016</b>	<b>3,029.67</b>
Additions during the year	5,756.01
Utilised during the year	(5,484.31)
<b>As at March 31, 2017</b>	<b>3,301.37</b>

### b) Provision for compensated absences

The Group encashes leaves of employees as per the Group'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)
<b>As at April 1, 2015</b>	<b>2,453.85</b>
Additions during the year	414.96
Utilised during the year	(245.26)
<b>As at March 31, 2016</b>	<b>2,623.55</b>
Additions during the year	521.76
Utilised during the year	(226.00)
<b>As at March 31, 2017</b>	<b>2,919.31</b>

### c) Provision for decommissioning liability

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

Movement in provision for decommissioning liability	(₹ in lacs)
<b>As at April 1, 2015</b>	<b>44.00</b>
Additions during the year	5.06
Utilised during the year	-
<b>As at March 31, 2016</b>	<b>49.06</b>
Additions during the year	5.63
Utilised during the year	-
<b>As at March 31, 2017</b>	<b>54.69</b>

### d) Provision for indirect tax and labour matters

The Company is party to various lawsuits that are at administrative or judicial level or in their initial 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	(₹ in lacs)
<b>As at April 1, 2015</b>	<b>320.00</b>
Additions during the year	360.00
Utilised during the year	(300.00)
<b>As at March 31, 2016</b>	<b>380.00</b>
Additions during the year	276.61
Utilised during the year	(310.00)
<b>As at March 31, 2017</b>	<b>346.61</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Movement in provision for labour matters	(₹ in lacs)
As at April 1, 2015	749.09
Additions during the year	409.35
Utilised during the year	(263.40)
As at March 31, 2016	895.04
Additions during the year	334.23
Utilised during the year	(19.79)
As at March 31, 2017	1,209.48

## Note 23: Income taxes and deferred taxes

The major components of income tax expense for the years ended March 31, 2017 and March 31, 2016 are  
Balance Sheet

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
<b>Non current tax assets</b>			
Advance income tax (net of provisions)	3,959.44	6,881.37	2,569.58
<b>Current tax liabilities</b>			
Provision for income tax (net of advance tax)	2,261.81	3,683.22	651.12

## Statement of profit and loss

	2016-17	2015-16
Current tax	11,660.33	15,308.60
Deferred tax	5,823.68	3,425.32
MAT credit entitlement	(6,842.17)	-
<b>Income tax expense reported in the statement of profit and loss</b>	<b>10,641.84</b>	<b>18,733.92</b>

## Other comprehensive income (OCI) section

Deferred tax related to items recognised in OCI during the year

	2016-17	2015-16
Income tax effect on remeasurement of post employment benefit obligation	164.51	(97.20)
Income tax effect on movement in cash flow hedges	130.51	18.67
<b>Income tax expense charged to OCI</b>	<b>295.02</b>	<b>(78.53)</b>

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2016 and March 31, 2017

	2016-17	2015-16
Accounting profit before tax from continuing operations	46,564.82	62,305.86
Income tax rate of 34.608%	16,115.15	21,562.81
Additional Deduction on Research and Development (R&D) expense	(3,502.16)	(1,807.55)
Additional Deduction on Investment Allowance	(2,224.37)	(2,024.59)
Income taxable at special rate	(283.65)	(202.09)
Effect of exempt incomes	-	(369.39)
Impact of share of profit from joint venture	(981.74)	(1,252.06)
others	(475.65)	(507.67)
<b>Non-deductible expenses for tax purposes</b>		
Depreciation on revaluation	250.93	457.63
Corporate social responsibility (CSR) Expenses	174.95	267.64

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

	2016-17	2015-16
Other non-deductible expenses	275.63	676.13
Impact of subsidiaries with no tax on account of losses	430.49	(223.29)
Difference in tax rates for certain entities of the group	146.79	245.09
Other Ind AS adjustments	715.47	1,911.26
<b>At the effective income tax rate of 22.85% (March 31, 2016: 30.07%)</b>	<b>10,641.84</b>	<b>18,733.92</b>

### Deferred tax

Deferred tax relates to the following

(₹ in lacs)

	Balance sheet			Statement of profit and loss	
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015	2016-17	2015-16
Accelerated depreciation for tax purposes	(26,819.18)	(18,949.31)	(15,449.73)	7,869.87	3,499.58
Voluntary retirement scheme	951.82	754.21	566.18	(197.61)	(188.03)
Provision for doubtful debts	1,272.18	693.36	540.48	(578.82)	(152.87)
Undistributed profit of joint venture	(1,300.52)	(1,183.70)	(931.47)	116.83	252.24
Others	4,561.17	2,865.53	2,683.94	(1,386.59)	14.40
<b>Deferred tax expense/(income)</b>	<b>(21,334.53)</b>	<b>(15,819.91)</b>	<b>(12,590.60)</b>	<b>5,823.68</b>	<b>3,425.32</b>
<b>Deferred tax expense/(income)</b>					

Net deferred tax assets/(liabilities)

Reflected in the balance sheet as follows

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Deferred tax assets	6,798.06	4,384.76	3,864.68
Deferred tax liabilities	(28,132.59)	(20,204.67)	(16,455.28)
<b>Deferred tax liabilities, net</b>	<b>(21,334.53)</b>	<b>(15,819.91)</b>	<b>(12,590.60)</b>

### Reconciliation of deferred tax liabilities (net)

(₹ in lacs)

	2016-17	2015-16
Opening balance as of April 1	(15,819.91)	(12,590.60)
Tax income/(expense) during the period recognised in the statement of profit and loss	(5,823.68)	(3,425.32)
Tax income/(expense) during the period recognised in other comprehensive income	295.02	(78.53)
Others	14.04	274.54
<b>Closing balance as at March 31</b>	<b>(21,334.53)</b>	<b>(15,819.91)</b>

The Group 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.

At March 31, 2017, there was no recognised deferred tax liability (March 31, 2016: ₹ NIL and April 1, 2015: ₹ NIL) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries. The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

However as at March 31, 2017, deferred tax liability of ₹ 1,300.52 lacs (March 31, 2016: ₹1,183.70 lacs, April 1, 2015: ₹ 931.47 lacs) in respect of temporary differences related to an investment in joint venture which has been recognized because the Group doesn't control the dividend policy of its joint venture i.e. the Group doesn't controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

During the year ended March 31, 2017 and March 31, 2016, the Group has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Group believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence, Dividend Distribution Tax (DDT) paid is charged to equity.

## Note 24: Deferred Revenue

(₹ in lacs)

	As at March 31 2017	As at March 31 2016	As at April 1 2015
<b>Opening balance</b>	<b>1,214.22</b>	<b>1,296.35</b>	<b>1,296.35</b>
Released to the statement of Profit and Loss	(82.13)	(82.13)	-
Addition	414.88	-	-
<b>Closing balance</b>	<b>1,546.97</b>	<b>1,214.22</b>	<b>1,296.35</b>
Current	82.13	82.13	82.13
Non Current	1,464.84	1,132.09	1,214.22
<b>Total</b>	<b>1,546.97</b>	<b>1,214.22</b>	<b>1,296.35</b>

The deferred revenue relates to accrual of custom duty availed for Halol Phase I Capex imports. As at March 31, 2017 the estimated amount for deferred revenue amounted to ₹ 1,132 lacs ( March 31, 2016: ₹ 1,214.22 lacs, April 1, 2015: ₹ 1,296.35 lacs)

## Note 25: Borrowings

(₹ in lacs)

	As at March 31 2017	As at March 31 2016	As at April 1 2015
<b>Secured</b>			
Cash credit facilities from banks (repayable on demand) (Refer foot note a)	2,021.12	2,755.53	617.44
Export packing credit from banks (Refer foot note a)	1,297.10	-	7,012.59
Buyer's credit from banks (Refer foot note a)	-	-	16,877.27
<b>Unsecured</b>			
Term loans from banks (Refer foot note b)	-	598.11	1,825.27
Commercial paper (Refer foot note d)	2,480.77	-	-
Public deposit (Refer foot note c)	-	-	94.90
<b>Total</b>	<b>5,798.99</b>	<b>3,353.64</b>	<b>26,427.47</b>

Notes:

- a) Working capital term loan, cash credit facilities from banks, export packing credit from banks and buyer's 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 Group, wherever situated and by way of second pari passu charge on the movable assets (except current assets) and immovable assets of the Group situated at Bhandup, Nashik and Halol Plants.

All short-term borrowings availed in Indian Rupees during the current year carry interest in the range of 6.25% to 9.50% and all short-term borrowing availed in foreign currency during the year carry interest in the range of LIBOR plus 45 bps to LIBOR plus 50 bps. (LIBOR is set corresponding to the period of the loan)

- b) The term loan from banks is outstanding balance of the bill discounting facility availed from scheduled bank
- c) The public deposits are accepted for the maturity of less than one year from the date of receipt.
- d) During the previous year, the Group had issued Commercial papers (total available limit ₹ 20,000.00 lacs) at regular intervals for working capital purposes with interest ranging from 6.13% to 7.55%. The outstanding amount as at March 31, 2017 is ₹ 2,500.00 lacs (March 31, 2016: ₹ NIL, April 1, 2015: ₹ NIL).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### Note 26: Trade payables

(₹ in lacs)

	As at March 31 2017	As at March 31 2016	As at April 1 2015
<b>Trade Payables</b>			
Dues to micro and small enterprises (refer note a)			
Overdue	-	-	-
Not due	492.33	717.14	528.17
Other trade payables	74,667.94	62,053.98	62,412.43
Trade payables to related parties*	661.08	761.00	848.40
<b>Total</b>	<b>75,821.35</b>	<b>63,532.12</b>	<b>63,789.00</b>

\* For terms and conditions with related parties, refer to note 46

#### Notes

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

(₹ in lacs)

	As at March 31 2017	As at March 31 2016	As at April 1 2015
i) The principal amount remaining unpaid to any supplier as at the end of each accounting year	492.33	717.14	528.17
ii) Interest due thereon remaining unpaid to any supplier as at the end of accounting year	11.73	11.73	6.96
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	-	0.20	236.71
iv) The amount of interest due and payable for the year	-	4.97	6.96
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.	11.73	6.76	-

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

b) Trade payables are non interest bearing and normally settled on 30 to 105 days

### Note 27: Other financial liabilities

(₹ in lacs)

	As at March 31 2017	As at March 31 2016	As at April 1 2015
<b>Current</b>			
<b>At amortised cost</b>			
Premium on forward contracts	-	135.23	401.15
Current maturities of long-term borrowings (refer note 20)	1,358.06	4,172.90	14,811.54
Interest accrued but not due on borrowings	422.63	263.41	735.22
Unpaid dividends	149.99	215.79	110.11
Unpaid matured deposits and interest accrued thereon #	127.90	311.99	400.21
Payable to capital vendors	6,525.24	2,052.20	1,258.04
Deposits from dealers & others	31,951.94	30,650.27	30,618.43
Advance received from customers	-	57.73	90.34
<b>At fair value through other comprehensive income</b>			
Derivative instruments	211.21	-	-
<b>Total</b>	<b>40,746.97</b>	<b>37,859.52</b>	<b>48,425.04</b>

# Refer foot note below note 13- Bank balances other than cash and cash equivalents

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 28: Other current liabilities

(₹ in lacs)

	As at March 31 2017	As at March 31 2016	As at April 1 2015
Statutory dues	9,766.08	6,296.94	5,985.65
Advance received from customers	921.98	1,039.81	846.33
Other payables	4.13	2,594.03	-
<b>Total</b>	<b>10,692.19</b>	<b>9,930.78</b>	<b>6,831.98</b>

## Note 29: Revenue from operations

(₹ in lacs)

	2016-17	2015-16
Sale of products (Refer foot note a)	6,39,712.94	6,10,954.87
Other operating revenues		-
Royalty income	431.25	553.12
Sale of scrap	1,788.72	1,679.50
Government grants (Refer foot note b)	1,333.93	1,166.49
Other revenues	863.26	237.76
<b>Total</b>	<b>6,44,130.10</b>	<b>6,14,591.74</b>

Notes:

- a) Sale of goods includes excise duty collected from customers of ₹ 67,478.66 lacs (March 31, 2016: ₹ 66,236.55 lacs).
- b) The Group has recognised a government grant of ₹ NIL (March 31, 2016 ₹ 223.47 lacs) as refund of octroi duty under the package scheme of incentive received from Directorate of Industries, Government of Maharashtra for Nashik plant (Refer note 45 d).

The Group has also recognised a government grant of ₹ 1,251.80 lacs (March 31, 2016 ₹ 860.89 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 recognised a government grant of ₹ 82.13 lacs (March 31, 2016: ₹ 82.13 lacs) relating to benefit received from Export Promotion Capital Goods (EPCG)

## Detail of sales under broad heads

(₹ in lacs)

	2016-17	2015-16
Automotive tyres	5,64,722.07	5,38,424.37
Tubes and others	74,990.87	72,530.50
<b>Sale of products</b>	<b>6,39,712.94</b>	<b>6,10,954.87</b>

## Note 30: Other income

(₹ in lacs)

	2016-17	2015-16
Interest income on		
Bank deposits	132.23	246.20
Other interest income	414.48	493.06
Dividend income on current investment	22.95	1,088.81
Other non-operating income	924.53	667.72
Net gain on disposal of investments*	282.82	159.41
Foreign exchange fluctuation (net)	85.85	112.40
Gain on mark to market forwards#	-	0.34
<b>Total</b>	<b>1,862.86</b>	<b>2,767.94</b>

\* Includes fair value gain/ (loss) as at March 31, 2017 amounting to ₹ (176.20) lacs (March 31, 2016: ₹ 4.29 lacs)

# Fair value gain on financial instruments at fair value through profit or loss relate to forward contracts that did not qualify for hedge accounting.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 31: Cost of material consumed

	(₹ in lacs)	
	2016-17	2015-16
<b>Raw material</b>		
Opening stock of raw material	20,498.09	22,513.23
Add: Purchases	3,53,110.34	2,93,363.14
	<b>3,73,608.43</b>	<b>3,15,876.37</b>
Less: Closing stock	(42,720.24)	(20,498.09)
<b>Total</b>	<b>3,30,888.19</b>	<b>2,95,378.28</b>

## Details of raw materials consumed

	(₹ in lacs)	
	As at March 31, 2017	As at March 31, 2016
Rubber	1,74,709.92	1,45,197.49
Fabrics	50,136.88	47,668.37
Carbon black	40,338.13	41,915.43
Chemicals	36,731.32	33,743.31
Others	28,971.94	26,853.68
<b>Total</b>	<b>3,30,888.19</b>	<b>2,95,378.28</b>

## Details of inventories

	(₹ in lacs)		
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Rubber	32,700.84	11,019.25	12,418.78
Fabrics	3,257.92	3,128.35	2,548.09
Carbon black	1,635.56	1,575.71	2,122.76
Chemicals	2,703.43	2,718.61	3,055.90
Others	2,422.49	2,056.17	2,367.70
<b>Total</b>	<b>42,720.24</b>	<b>20,498.09</b>	<b>22,513.23</b>

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

	(₹ in lacs)	
	2016-17	2015-16
<b>Opening Stock</b>		
Work-in-progress	2,483.83	2,024.48
Finished goods	32,844.07	33,837.52
Stock-in-trade	4,916.81	3,025.43
	<b>40,244.71</b>	<b>38,887.43</b>
<b>Closing Stock</b>		
Work-in-progress	3,148.70	2,483.83
Finished goods	40,779.05	32,844.07
Stock-in-trade	4,365.51	4,916.81
	<b>48,293.26</b>	<b>40,244.71</b>
	(8,048.55)	(1,357.28)
Differential excise duty on opening and closing stock of finished goods	499.94	218.53
<b>Total</b>	<b>(7,548.61)</b>	<b>(1,138.75)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 33: Employee benefit expense

(₹ in lacs)

	2016-17	2015-16
Salaries, wages and bonus	33,435.23	32,729.44
Contribution to provident and other funds	1,828.72	1,720.03
Gratuity expenses (refer note 44)	533.41	491.22
Staff welfare expenses	4,833.56	3,884.44
<b>Total</b>	<b>40,630.92</b>	<b>38,825.13</b>

## Note 34: Finance costs

(₹ in lacs)

	2016-17	2015-16
<b>Interest</b>		
- On debts and borrowings	7,724.29	8,478.98
- Others	-	-
Other finance charges	82.78	739.21
<b>Total Interest expense</b>	<b>7,807.07</b>	<b>9,218.19</b>
Unwinding of Asset retirement obligation	5.63	5.06
Unwinding of discount on provision for warranty	359.43	265.30
<b>Total finance cost</b>	<b>8,172.13</b>	<b>9,488.55</b>

## Note 35: Depreciation and amortization expense

(₹ in lacs)

	2016-17	2015-16
Depreciation on property, plant and equipment (refer note 3)	13,285.72	10,092.80
Amortization on intangible assets (refer note 4)	1,022.35	679.20
<b>Total</b>	<b>14,308.07</b>	<b>10,772.00</b>

## Note 36: Other expenses

(₹ in lacs)

	2016-17	2015-16
Conversion charges	38,151.10	36,808.57
Stores and spares consumed	4,733.80	4,389.89
Power and fuel	17,801.00	15,600.66
Freight and delivery charges	27,871.87	25,741.69
Rent for premises	98.56	571.50
Lease rent-vehicles	151.73	117.51
Rates and taxes	281.82	446.32
Insurance	348.73	418.44
Repairs - Machinery	4,647.41	5,145.91
- Buildings	570.35	601.80
- Others	81.64	48.05
Travelling and conveyance	3,387.95	3,058.00
Printing and stationery	232.52	211.28
Directors' fees (refer note 46)	67.50	45.32
Payment to auditors (refer foot note 1)	84.03	103.11
Cost audit fees	2.79	2.20
Advertisement and sales promotion expenses	12,661.84	11,445.18
Rebates and discounts	15.44	-
Commission on Sales	340.48	343.45
Communication expenses	948.77	852.44
Bad debts written off	59.29	8.99

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

	2016-17	2015-16
Provision for doubtful debts and advances	670.00	441.97
Loss on disposal of property, plant and equipment (net)	554.58	973.93
Legal charges	276.16	315.10
Foreign exchange fluctuations (net)	46.09	544.01
Professional and consultancy charges	2,678.86	2,766.92
Commission to directors	481.00	625.00
Training and conference expenses	1,129.29	977.74
Miscellaneous expenses	10,194.97	9,094.73
Bank charges	784.89	651.43
Corporate social responsibility (CSR) expenses (refer foot note 2)	1,011.01	773.35
<b>Total</b>	<b>1,30,365.47</b>	<b>1,23,124.49</b>

**Notes:****1) Payments to the auditor**

(₹ in lacs)

	2016-17	2015-16
<b>As auditor</b>		
Audit fee	42.50	40.00
Limited review	21.00	21.00
<b>In other capacity</b>		
Other services (including certification fees)	17.12	35.57
Reimbursement of expenses	3.41	6.54
<b>Total</b>	<b>84.03</b>	<b>103.11</b>

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

(₹ in lacs)

	2016-17	2015-16
a) Gross amount required to be spent during the year	1,006.67	772.32

(₹ in lacs)

	In cash	Yet to be paid in cash	Total
b) Amount spent during the year ended on March 31, 2017			
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	1,011.01	-	1,011.01
<b>Total</b>	<b>1,011.01</b>	<b>-</b>	<b>1,011.01</b>

(₹ in lacs)

	In cash	Yet to be paid in cash	Total
c) Amount spent during the year ended on March 31, 2016			
(i) Construction/acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	773.35	-	773.35
<b>Total</b>	<b>773.35</b>	<b>-</b>	<b>773.35</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### Note 37: Exceptional items

(₹ in lacs)

	2016-17	2015-16
Voluntary Retirement Scheme (VRS)	1,332.55	1,139.99
<b>Total</b>	<b>1,332.55</b>	<b>1,139.99</b>

The Company had introduced voluntary retirement scheme (VRS) for employees across the Group. During the year, 93 employees (during 2015-16 : 96 employees) opted for the VRS.

### Note 38: Research and development costs

(₹ in lacs)

	2016-17	2015-16
Capital expenditure	7,694.47	200.50
Revenue expenditure	5,622.42	5,127.87
<b>Total</b>	<b>13,316.89</b>	<b>5,328.37</b>

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 parent by the weighted average number of equity shares outstanding during the year.

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

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

(₹ in lacs)

	2016-17	2015-16
Profit after tax for calculation of basic and diluted EPS	36,115.46	43,754.17
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	<b>89.28</b>	<b>108.17</b>
Diluted earnings per share	<b>89.28</b>	<b>108.17</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## 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.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of 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 Group 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 Group. Such changes are reflected in the assumptions when they occur.

#### a) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 Group 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 Group's domicile. Based on the approved plans and budgets, the Group has estimated that the future taxable income will be sufficient to absorb MAT credit entitlement which management believes is probable, accordingly Group has recognised MAT credit as an asset. Further details on taxes are disclosed in note 23.

#### b) Defined benefit plans

The Group's obligation on account of present value (PV) of gratuity and compensated absences 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. Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligations are given in note 44.

#### c) Provision for decommissioning

The Group has recognised a provision for decommissioning obligations associated with a land taken on lease at Nashik manufacturing facility. 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, 2017 was ₹ 54.69 lacs (March 31, 2016: ₹ 49.06 lacs, April 1, 2015: ₹ 44.00 lacs). The Group estimates that the costs would be realised in year 2066 at the expiration of the

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 model. The inputs

to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 49 and 50 for further disclosures.

## f) Classification of Joint arrangement

Associated Ceat Holdings Company (Pvt.) Ltd. (100% owned 'subsidiary') has a 50% interest in a joint arrangement called the CEAT Kelani Holding Company Pvt. Limited which was set up as a partnership together with Kelani Tyres Limited. The principal place of business of the joint operation is in Sri Lanka.

The Group considers that such arrangement is a joint venture, as the agreement in relation to the CEAT Kelani Holding Company Pvt. Limited requires unanimous consent from both parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint venture and is consolidated using the equity method.

## Note 41: Group information

The consolidated financial statements of the Group include subsidiaries listed in the table below

Name	Principal activities	Country of incorporation	% of equity interest		
			March 31, 2017	March 31, 2016	April 1, 2015
CEAT Specialty Tyres Limited	Trading of tyres, tubes and flaps	India	100.00%	100.00%	100.00%
Associated Ceat Holdings Company (Pvt.) Ltd.	Investment company investing in companies engaged in manufacturing of tyres	Sri Lanka	100.00%	100.00%	100.00%
CEAT AKKHAN Limited	Trading of tyres, tubes and flaps	Bangladesh	70.00%	70.00%	70.00%
Rado Tyres Limited	Manufacturing of tyres	India	58.56%	58.56%	58.56%

## Note 42: Material Partly Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

### Proportion of equity interest held by non-controlling interests:

Name	Country of Incorporation	March 31, 2017	March 31, 2016	April 1, 2015
Rado Tyres Limited	India	41.44%	41.44%	41.44%
CEAT AKKHAN Limited	Bangladesh	30.00%	30.00%	30.00%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Information regarding non-controlling interest

(₹ in Lacs)

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Accumulated balances of material non-controlling interest:			
Rado Tyres Limited	28.40	79.90	131.47
CEAT AKKHAN Limited	2,886.14	3,144.66	3,135.93
Profit/(loss) allocated to material non-controlling interest:			
Rado Tyres Limited	(51.50)	(51.58)	NA
CEAT AKKHAN Limited	(140.98)	(130.65)	NA

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

## Summarised statement of profit and loss for the year ended March 31, 2017

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Revenue	898.06	5,618.41
Profit/(Loss) for the period	(124.39)	(469.94)
Other comprehensive income	0.11	-
<b>Total comprehensive income</b>	<b>(124.28)</b>	<b>(469.94)</b>
Attributable to non-controlling interests	(51.50)	(140.98)
Dividends paid to non-controlling interests	-	-

## Summarised statement of profit and loss for the year ended March 31, 2016

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Revenue	1,201.40	5,541.02
Profit/(Loss) for the period	(108.05)	(435.50)
Other comprehensive income	(16.41)	-
<b>Total comprehensive income</b>	<b>(124.46)</b>	<b>(435.50)</b>
Attributable to non-controlling interests	(51.58)	(130.65)
Dividends paid to non-controlling interests	-	-

## Summarised balance sheet as at March 31, 2017

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Non Current Assets	613.25	8,101.10
Current Assets	159.73	2,669.73
Non Current Liabilities	524.19	-
Current Liabilities	180.27	1,150.36
<b>Total equity</b>	<b>68.52</b>	<b>9,620.47</b>
<b>Attributable to:</b>		
Equity holders of parent	40.12	6,734.33
Non-controlling interest	28.40	2,886.14

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Summarised balance sheet as at March 31, 2016

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Non Current Assets	646.17	8,329.99
Current Assets	196.83	3,841.78
Non Current Liabilities	510.71	-
Current Liabilities	139.48	1,689.58
<b>Total equity</b>	<b>192.81</b>	<b>10,482.19</b>
<b>Attributable to:</b>		
Equity holders of parent	112.91	7,337.53
Non-controlling interest	79.90	3,144.66

## Summarised balance sheet as at April 1, 2015

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Non Current Assets	710.36	7,936.17
Current Assets	109.85	5,211.40
Non Current Liabilities	167.63	-
Current Liabilities	335.32	2,694.47
<b>Total equity</b>	<b>317.26</b>	<b>10,453.10</b>
<b>Attributable to:</b>		
Equity holders of parent	185.79	7,317.17
Non-controlling interest	131.47	3,135.93

## Summarised cash flow information as at March 31, 2017

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Operating	12.55	187.46
Investing	8.63	(51.53)
Financing	(10.69)	(569.31)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>10.49</b>	<b>(433.38)</b>

## Summarised cash flow information as at March 31, 2016:

(₹ in Lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Operating	(234.89)	(1,079.96)
Investing	26.14	(64.07)
Financing	202.27	(214.63)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(6.48)</b>	<b>(1,358.66)</b>

### Note 43: Interest in Joint Venture

The group has 50% interest in CEAT Kelani Holding (Pvt) Limited, a joint venture incorporated in Sri Lanka. The joint venture entity has wholly owned subsidiaries who are involved in the manufacture of tyres. The group interest in CEAT Kelani Holdings (Pvt) Limited is accounted for using the equity method in the consolidated financial statements. Summarized financial information of the joint venture based on its financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Summarised balance sheet as at March 31, 2017

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Net Assets	30,973.55	28,300.87	23,176.89
Percentage of the Group's ownership	50%	50%	50%
<b>Group's share in Net worth</b>	<b>15,486.77</b>	<b>14,150.43</b>	<b>11,588.44</b>
Goodwill on Consolidation	2,147.27	2,278.52	2,366.02
Revaluation reserve	(901.19)	(901.19)	(901.19)
<b>Carrying amount of investments</b>	<b>16,732.85</b>	<b>15,527.76</b>	<b>13,053.27</b>

## Summarised statement of profit and loss for the year ended March 31, 2017

(₹ in Lacs)

Particulars	2016-17	2015-16
Revenue	42,809.10	43,687.66
Cost of Materials Consumed	(17,636.48)	(17,453.86)
Purchases of Stock-in-trade	(2,508.65)	(2,189.17)
Changes in Inventories of finished goods, work-in-progress and Stock-in-trade	325.31	(319.04)
Employee Benefits Expense	(4,763.49)	(4,405.62)
Finance Costs	(27.95)	(23.24)
Depreciation on tangible assets	(1,504.32)	(1,292.86)
Other Expenses	(8,418.85)	(8,407.34)
<b>Profit before tax</b>	<b>8,274.67</b>	<b>9,596.53</b>
Income tax expenses	(2,601.17)	(2,360.67)
<b>Profit after tax</b>	<b>5,673.50</b>	<b>7,235.86</b>
Percentage of the Group's ownership	50%	50%
<b>Profit considered for consolidation</b>	<b>2,836.75</b>	<b>3,617.93</b>

## Note 44: Post-retirements benefit plan

### a) Defined contribution plan

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

(₹ in Lacs)

Particulars	2016-17	2015-16
Contribution to provident fund (government)	1,611.34	1,511.92

### b) Defined benefit plan - Gratuity

The Group has a defined benefit gratuity plan which is funded with an Insurance company in the form of qualifying Insurance policy. The group's defined benefit gratuity plan is a salary plan for employees which require 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

of this annual review. Board of trusts have appointed LIC of India, Birla Sun LIC, India First LIC & HDFC LIC 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 group makes annual contribution to the group 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, 2017	As at March 31, 2016
1.	Opening present value of Defined Benefit obligation	8,916.57	8,559.17
2.	Current Service Cost	533.41	491.22
3.	Interest Cost	687.60	638.34
4.	Benefits paid	(766.69)	(610.18)
5.	Acquisition Adjustment (Transfer Out)	(31.95)	-
6.	Remeasurement (Gain) / Loss in other comprehensive income	-	-
	Actuarial changes arising from changes in financial assumption	695.30	94.62
	Experience adjustments	(244.28)	(224.65)
7.	Net transfer in / (out) (including the effect of any business combinations / divestitures)	-	(31.95)
8.	Closing present value of obligation	9,789.96	8,916.57

### ii) Changes in Fair value of Plan Assets during the year ended March 31, 2017

(₹ in Lacs)

Sr. No.	Particulars	As at March 31, 2017	As at March 31, 2016
1.	Fair value of plan assets as at April 1	8,519.93	6,377.02
2.	Expected return on plan assets	659.80	501.96
3.	Contributions made	234.88	2,100.29
	Increase (decrease) due to effect of any business combination, divestitures, transfers	31.94	-
4.	Benefits paid	(766.69)	(610.18)
5.	Acquisition Adjustment (Transfer Out)	(31.95)	-
6.	Return on plan assets, excluding amount recognised in net interest expense	(41.18)	150.84
7.	Fair value of plan assets as at March 31	8,606.73	8,519.93

### iii) Expenses recognised during the period:

(₹ in Lacs)

Particulars	2016-17	2015-16
In Income Statement	561.20	643.17
In Other Comprehensive Income	416.05	(280.87)
<b>Total Expenses recognised during the period</b>	<b>977.25</b>	<b>362.30</b>

### iv) Expenses recognized in the Income Statement

(₹ in Lacs)

Sr. No.	Particulars	2016-17	2015-16
1.	Current Service Cost	533.41	491.22
2.	Interest Cost on benefit obligation	27.79	151.95
	<b>Net benefit expense</b>	<b>561.20</b>	<b>643.17</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

v) Expenses recognized in other comprehensive income:

(₹ in Lacs)

Particulars	2016-17	2015-16
Remeasurement arising from changes in demographic assumptions	-	5.09
Remeasurement arising from changes in financial assumptions	621.81	61.91
Remeasurement arising from changes in experience variance	(246.92)	(197.04)
Return on plan assets, excluding amount recognized in net interest expense	41.16	(150.83)
<b>Components of defined benefit costs recognized in other comprehensive income</b>	<b>416.05</b>	<b>(280.87)</b>

vi) Net Assets / (Liability) as at March 31, 2017

(₹ in Lacs)

Sr. No.	Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
1.	Closing Present value of the defined benefit obligation	9,789.96	8,916.57	8,321.44
2.	Closing Fair value of plan Assets	8,606.73	8,519.94	6,149.94
3.	Net Assets / (Liability) recognized in the Balance Sheet	(1,183.23)	(396.63)	(2,171.50)
4.	Effect of Asset Ceiling	-	-	-

vii) Actual return on plan assets for the year ended March 31, 2017

(₹ in Lacs)

Sr No.	Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
1.	Expected return on plan assets	659.80	501.96	565.93
2.	Actuarial gain / (loss) on plan assets	(41.18)	150.84	172.90
	<b>Actual return on plan assets</b>	<b>618.62</b>	<b>652.80</b>	<b>738.83</b>

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, 2017	As at March 31, 2016	As at April 1, 2015
Investment with Insurer	100%	100%	100%

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

**Description of Risk Exposures**

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

**Interest Rate risk:** The plan exposes the Group to the risk off change 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

experience turning out to be worse compared to the assumption.

**Regulatory risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring

higher gratuity payouts (e.g. Increase in the maximum limit on gratuity of ₹ 10.00 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.

(₹ in lacs)

Particulars	2016-17	2015-16
Discount Rates (per annum)	6.80% - 7.05%	7.65% - 7.85%
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 (CEAT)		
Below 5 years	22.70%	22.70%
Equal and above 5 years	5.67%	5.67%
Withdrawal rates, based on service year per annum (CSTL)	6.00%	6.00%
Withdrawal rates, based on service year per annum (RADO)		
Upto 30 years	3.00%	3.00%
31-45 years	2.00%	2.00%
46 years and above	1.00%	1.00%

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

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

## a) CEAT Limited

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Defined Benefit Obligation (Base)	9,542.65	8,708.77

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

(₹ in Lacs)

Particulars	2016-17		2015-16	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	10,368.64	8,822.23	9,372.03	8,070.31
(% change compared to base due to sensitivity)	8.7%	-7.5%	8.0%	-7.0%
Salary Growth Rate (- / + 1%)	8,818.38	10,357.46	8,066.62	9,372.03
(% change compared to base due to sensitivity)	-7.6%	8.5%	-7.0%	8.0%
Attrition Rate (- / + 1%)	9,617.57	9,483.89	8,598.73	8,728.88
(% change compared to base due to sensitivity)	0.8%	-0.6%	-0.9%	0.6%
Mortality Rate (- / + 1%)	9,543.07	9,542.22	8,676.15	8,679.81
(% change compared to base due to sensitivity)	0.0%	0.0%	0.0%	0.0%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

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 ₹ 1,582.13 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)

	As at March 31, 2017	As at March 31, 2016
Within the next 12 months (next annual reporting period)	994.90	1,383.65
Between 2 and 5 years	3,558.90	3,219.91
Between 5 and 10 years	4,563.78	4,131.69
Beyond 10 years	9,610.93	9,257.48
<b>Total expected payments</b>	<b>18,728.51</b>	<b>17,992.73</b>

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).

### b) CEAT Specialty Tyres Limited (CSTL)

(₹ in Lacs)

Particulars	As at March 31, 2017	As at March 31, 2016
Defined Benefit Obligation (Base)	64.51	39.98

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

(₹ in lacs)

Particulars	2016-17		2015-16	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	70.70	59.21	43.52	36.91
(% change compared to base due to sensitivity)	9.6%	-8.2%	8.9%	-7.7%
Salary Growth Rate (- / + 1%)	59.30	70.46	36.95	43.41
(% change compared to base due to sensitivity)	-8.1%	9.2%	-7.6%	8.6%
Withdrawal Rate (- / + 1%)	40.09	39.84	65.21	63.83
(% change compared to base due to sensitivity)	-37.9%	-38.2%	63.1%	59.7%

The Company's best estimate of contribution during the next year is ₹ 22.00 Lacs.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016
Within the next 12 months (next annual reporting period)	2.72	2.09
Between 2 and 5 years	39.70	23.15
Between 5 and 10 years	94.42	64.92
<b>Total expected payments</b>	<b>136.84</b>	<b>90.16</b>

### c) RADO Tyres Limited

(₹ in lacs)

	As at March 31, 2017	As at March 31, 2016
Defined Benefit Obligation (Base)	182.80	167.82

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

(₹ in lacs)

Particulars	2016-17		2015-16	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	197.16	169.86	181.89	155.20
(% change compared to base due to sensitivity)	7.9%	-7.1%	8.4%	-7.5%
Salary Growth Rate (- / + 1%)	170.55	196.04	155.74	180.88
(% change compared to base due to sensitivity)	-6.7%	7.2%	-7.2%	7.8%
Withdrawal Rate (- / + 1%)	182.45	183.12	167.01	168.56
(% change compared to base due to sensitivity)	-0.2%	0.2%	-0.5%	0.4%

The Company's best estimate of contribution during the next year is ₹ 9.00 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)

	As at March 31, 2017	As at March 31, 2016
Within the next 12 months (next annual reporting period)	3.29	3.20
Between 2 and 5 years	63.12	48.79
Between 5 and 10 years	179.25	168.05
<b>Total expected payments</b>	<b>245.66</b>	<b>220.04</b>

## Note 45: Commitments and contingencies

### a) Leases

#### Operating lease commitments — Company as lessee

The Group 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 Group by entering these leases. The lease term range from one year to five years and are renewable at the option of the Group.

Lease rental on the said lease of ₹ 151.73 lacs (March 31, 2016 ₹ 117.51 lacs) has been charged to Statement of Profit and Loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Future minimum rentals payable under non-cancellable operating leases as at March 31, 2017 are, as follows:

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Within one year	139.28	99.11	88.53
After one year but not more than five years	200.51	167.26	81.13
More than five years	-	-	-

### b) Contingent Liabilities

(to the extent not provided for)

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
1. Direct and indirect taxation matters			
Income tax	4,316.65	6,321.78	8,492.54
Wealth tax	6.73	6.73	6.73
Excise duty / Service tax	7,879.34	8,168.21	8,846.44
Sales tax	7,024.20	5,310.67	4,554.66
2. Bills discounted with banks	7,294.72	8,723.33	8,698.31
3. Claims against the Company not acknowledged as debts*			
In respect of labour matters	678.39	612.20	353.43
Rental disputes	180.00	180.00	180.00
Customer disputes	446.00	502.08	446.00
Vendor disputes	293.83	293.83	293.83
Other claims	3,207.11	150.65	199.85

\*in respect of above matters, future cash outflows are determinable only on receipt of judgements pending at various forums / authorities. The amount of expected reimbursement to the Company is not ascertainable as on the Balance Sheet date.

### c) Commitments

(₹ in lacs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments)	12,861.58	37,178.18	43,162.24

### d) Others

The Group has availed the Sales Tax Deferral Loan and octroi refund from the Directorate of Industries for Nashik Plant. Hence, the Group has to take prior permission of the appropriate authority for removal/transfer of any asset (falling under the above Schemes) from Nashik Plant. In case of violation of terms & conditions, the Group 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. (Refer Note 29(b)).

### e) Demands and disputes considered as "Remote" by the Group

- 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 ₹ 8,655.63 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 April-2015. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Act, 2009. The Company has a strong case on the ground that, they 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, 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 and 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.

### Note 46: Related party transactions

#### a) Names of related parties and related party relationship:

**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)
- 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)
- Swallow Associates LLP ("Swallow") (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)
- Palacino Properties LLP ("Palacino") (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)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

- Kunal Mundra, (relative of director)
- 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. Subba Rao Amarthaluru, Chief Financial Officer up to July 22, 2015
  - v) Mr. Manoj Jaiswal, Chief Financial Officer up to January 15, 2017.
  - vi) Mr. Kumar Subbiah, Chief Financial Officer w.e.f. from January 16, 2017.
  - vii) Mr. H. N. Singh Rajpoot, Company Secretary up to August 31, 2016.
  - viii) Ms. Shruti Joshi, Company Secretary w.e.f. from September 1, 2016.
  - ix) Mr. Paras K. Chowdhary, Independent Director
  - x) Mr. Vinay Bansal, Independent Director
  - xi) Mr. Hari L Mundra, Independent Director
  - xii) Mr. Atul Choksey, Independent Director
  - xiii) Mr. Mahesh Gupta, Independent Director
  - xiv) Mr. Haigreve Khaitan, Independent Director
  - xv) Ms. Punita Lal, Independent Director
  - xvi) Mr. S. Doreswamy, Independent Director
  - xvii) Mr. Kantikumar Poddar, Independent Director (up to February 9, 2017)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 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	2016-17	2015-16
Reimbursement / (Recovery) of Expenses (net)	ACPL	(21.48)	(35.36)
	CKITL	(27.66)	1.18
	Raychem	(18.25)	(34.46)
	KEC	(53.25)	(65.48)
	Amber	1.48	1.90
	Zensar	(3.44)	(1.19)
	RPGE	171.44	145.92
	RPGLS	(30.64)	(29.91)
	<b>Total</b>	<b>18.20</b>	<b>(17.40)</b>
Royalty Income	ACPL	119.29	199.23
	CKITL	131.08	175.64
	ATPL	65.12	34.45
	CKRL	115.76	144.24
	<b>Total</b>	<b>431.25</b>	<b>553.56</b>
Purchase of Traded goods	ACPL	2,741.39	2,123.85
	CKITL	110.84	7.12
	ATPL	-	14.74
	CKRL	405.85	867.94
	<b>Total</b>	<b>3,258.08</b>	<b>3,013.65</b>
Sales	CKITL	1,321.74	1,195.01
	ACPL	53.79	-
	<b>Total</b>	<b>1,375.53</b>	<b>1,195.01</b>
Technical Development fees received	ATPL	55.00	-
Rent paid on residential premises / Guest House	Allwin	15.00	15.00
	KEC	3.35	1.04
	Amber	15.00	15.00
	Atlantus	18.00	18.00
	Chattarpati	43.20	43.20
	B N Elias	12.00	12.00
	Zensar	9.18	15.64
	<b>Total</b>	<b>115.73</b>	<b>119.88</b>
Building maintenance recovery	Raychem	95.49	95.49
	KEC	474.28	430.42
	RPGE	69.62	-
	RPGLS	100.81	125.21
	<b>Total</b>	<b>740.20</b>	<b>651.12</b>
Rent recovery on residential premises	KEC	55.88	42.55
	Raychem	5.06	-
	<b>Total</b>	<b>60.94</b>	<b>42.55</b>
Purchase of Capex/Spares	Raychem	165.16	111.75
	KEC	331.48	425.16
	Vinar	230.35	150.98
	<b>Total</b>	<b>726.99</b>	<b>687.89</b>
Consultancy Fees Paid	Zensar	52.50	57.14
Legal fees paid	Khaitan & Co.	112.32	11.69
Licence Fees paid	RPGE	550.00	534.63
Sale of Spares	CKITL	19.03	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## c) Balance outstanding at the year end:

(₹ in lacs)

Amount due to / from related party	Related party	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Advances recoverable in cash or kind	ACPL	22.67	16.81	19.56
	CKITL	46.02	-	-
	CKRL	2.52	-	5.02
	Raychem	13.70	2.95	11.49
	KEC	80.73	23.74	53.41
	ATPL	16.11	-	70.37
	RPG Enterprises	80.07	57.20	32.46
	RPG Life Science	27.88	14.26	25.10
	<b>Total</b>	<b>289.70</b>	<b>114.96</b>	<b>217.41</b>
Royalty receivable	ACPL	51.95	73.04	51.31
	CKITL	61.70	80.78	83.95
	CKRL	59.42	67.54	65.37
	ATPL	29.31	18.56	28.67
	<b>Total</b>	<b>202.38</b>	<b>239.92</b>	<b>229.30</b>
Trade payables (refer note 26)	ACPL	566.06	562.82	721.45
	CKRL	36.71	183.86	113.81
	Raychem	-	9.71	0.25
	CKITL	33.69	1.18	-
	B N Elias	0.90	-	0.90
	Atlantus	1.35	-	1.35
	Chattarpati	3.24	-	3.24
	Allwin	1.31	-	1.28
	Palacino	-	-	0.68
	KEC	-	-	2.93
	Zensar	17.82	3.43	2.51
	<b>Total</b>	<b>661.08</b>	<b>761.00</b>	<b>848.40</b>
Trade receivables (refer note 11)	CKITL	158.80	382.56	324.61
	ACPL	27.58	-	-
	<b>Total</b>	<b>186.38</b>	<b>382.56</b>	<b>324.61</b>
Payable against purchase of capital asset	Vinar	-	30.59	-
	Raychem	0.05	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## d) Transactions with key management personnel and their relatives

		(₹ in lacs)	
Sr. No.	Related party	2016-17	2015-16
1)	Mr. Harsh Vardhan Goenka		
	Commission	432.25	571.00
	Director sitting fees	6.00	4.50
	Dividend	-	28.80
	<b>Total</b>	<b>438.25</b>	<b>604.30</b>
2)	Mr. Anant Vardhan Goenka		
	Salaries	258.83	241.86
	Allowances and Perquisites	10.34	7.71
	Performance Bonus*	73.92	54.93
	Contribution to Provident & Superannuation Fund	22.95	20.76
	Dividend	-	3.05
	Leave encashment	1.44	0.27
	<b>Total</b>	<b>367.48</b>	<b>328.58</b>
3)	Mr. Arnab Banerjee		
	Salaries	177.82	163.66
	Allowances and Perquisites	2.38	0.43
	Performance Bonus*	55.77	43.58
	Contribution to Provident & Superannuation Fund	9.78	8.82
	Leave encashment	0.90	0.23
	<b>Total</b>	<b>246.65</b>	<b>216.72</b>
5)	Mr. Manoj Jaiswal		
	Salaries	100.00	82.96
	Allowances and Perquisites	0.15	0.10
	Performance Bonus*	49.48	20.00
	Contribution to Provident & Superannuation Fund	5.34	4.51
	Leave encashment	2.23	1.79
	<b>Total</b>	<b>157.20</b>	<b>109.36</b>
6)	Mr. Subba Rao Amarthaluru		
	Salaries	-	61.29
	Allowances and Perquisites	-	0.05
	Performance Bonus*	-	33.01
	Contribution to Provident & Superannuation Fund	-	4.42
	Leave encashment	-	3.86
	<b>Total</b>	<b>-</b>	<b>102.63</b>
7)	Mr. Kumar Subbiah		
	Salaries	27.87	-
	Allowances and Perquisites	-	-
	Performance Bonus*	-	-
	Contribution to Provident & Superannuation Fund	1.14	-
	Leave encashment	1.15	-
	<b>Total</b>	<b>30.16</b>	<b>-</b>
8)	Mr. H. N. Singh Rajpoot		
	Salaries	23.10	54.37
	Allowances and Perquisites	-	0.32
	Performance Bonus*	18.21	15.87
	Contribution to Provident & Superannuation Fund	2.74	6.31
	Leave Encashment	1.22	0.08
	<b>Total</b>	<b>45.27</b>	<b>76.95</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

		(₹ in lacs)	
Sr. No.	Related party	2016-17	2015-16
9)	Ms. Shruti Joshi		
	Salaries	18.66	-
	Allowances and Perquisites	0.11	-
	Performance Bonus	-	-
	Contribution to Provident & Superannuation Fund	0.88	-
	Leave Encashment	0.21	-
	<b>Total</b>	<b>19.86</b>	<b>-</b>
10)	Mr. Paras K. Chowdhary		
	Commission	5.50	6.00
	Director sitting fees	6.65	5.00
	<b>Total</b>	<b>12.15</b>	<b>11.00</b>
11)	Mr. Hari L. Mundra		
	Commission	5.50	6.00
	Director sitting fees	7.65	5.25
	<b>Total</b>	<b>13.15</b>	<b>11.25</b>
12)	Mr. Vinay Bansal		
	Commission	5.50	6.00
	Director sitting fees	9.20	6.10
	<b>Total</b>	<b>14.70</b>	<b>12.10</b>
13)	Mr. Atul C. Choksey		
	Commission	5.50	6.00
	Director sitting fees	6.00	3.75
	<b>Total</b>	<b>11.50</b>	<b>9.75</b>
14)	Mr. Mahesh S. Gupta		
	Commission	5.50	6.00
	Director sitting fees	9.50	6.65
	<b>Total</b>	<b>15.00</b>	<b>12.65</b>
15)	Mr. Haigreve Khaitan		
	Commission	5.50	6.00
	Director sitting fees	5.00	0.75
	<b>Total</b>	<b>10.50</b>	<b>6.75</b>
16)	Ms. Punita Lal		
	Commission	5.50	6.00
	Director sitting fees	6.00	4.50
	<b>Total</b>	<b>11.50</b>	<b>10.50</b>
17)	Mr. S. Doreswamy		
	Commission	5.50	6.00
	Director sitting fees	9.50	4.25
	<b>Total</b>	<b>15.00</b>	<b>10.25</b>
18)	Mr. Kantikumar Poddar		
	Commission	4.75	6.00
	Director sitting fees	-	3.00
	<b>Total</b>	<b>4.75</b>	<b>9.00</b>
19)	Mr Kunal Mundra**		
	Salaries	72.26	43.12
	Allowances and Perquisites	48.31	30.99
	Contribution to Provident & Superannuation Fund	4.06	3.58
	<b>Total</b>	<b>124.63</b>	<b>77.69</b>
	<b>Grand Total</b>	<b>1,537.75</b>	<b>1,609.48</b>

\* Represents amount paid during the year.

\*\* Salary received from the Company's subsidiary CEAT Specialty Tyres Limited in the capacity of Managing Director.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### e) Balance outstanding at the year end for KMP:

(₹ in lacs)

Amount due to / from related party	Related party	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Commission Payable	Mr. H. V. Goenka	432.25	571.00	415.40
	Mr. Paras K. Chowdhary	5.50	6.00	5.00
	Mr. Hari L. Mundra	5.50	6.00	5.00
	Mr. Vinay Bansal	5.50	6.00	5.00
	Mr. Atul C. Choksey	5.50	6.00	5.00
	Mr. Mahesh S. Gupta	5.50	6.00	5.00
	Mr. Haigreva Khaitan	5.50	6.00	5.00
	Ms. Punita Lal	5.50	6.00	4.60
	Mr. S. Doreswamy	5.50	6.00	5.00
	Mr. K. R. Podar	4.75	6.00	5.00
<b>Total</b>		<b>481.00</b>	<b>625.00</b>	<b>460.00</b>

### Terms and conditions of transactions with related parties

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

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

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

### Capital and other 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, 2017	As at March 31, 2016	As at April 1, 2015
Vinar	66.63	220.06	-
KEC	0.15	16.72	0.06

### Note 47: Segment information

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

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

### Information about products

(₹ in lacs)

Particulars	2016-17			2015-16		
	Automotive Tyres	Tubes and others	Total	Automotive Tyres	Tubes and others	Total
Revenue from sale of products	5,64,722.07	74,990.87	6,39,712.94	5,38,424.36	72,530.50	6,10,954.86



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Information about geographical areas

(₹ in lacs)

Particulars	2016-17			2015-16		
	In India	Outside India	Total	In India	Outside India	Total
Revenue from sale of products	5,59,708.67	80,004.27	6,39,712.94	5,35,283.59	75,671.28	6,10,954.87
Non-current assets	2,86,112.41	10,908.82	2,97,021.23	2,37,156.43	8,102.87	2,45,259.30

During the year 2016-17 and 2015-16, no single external customer has generated revenue of 10% or more of the Group's total revenue.

During the year 2016-17 and 2015-16, no single country has generated revenue of more than 10% of total revenue.

### Note 48: Hedging activities and derivatives

#### Derivatives designated as hedging instruments

The Group 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

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 have been designated as effective hedging instrument from April 1, 2016 onwards.

(Amounts in lacs)

Derivative	Currency	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015		Purpose
		FC	₹	FC	₹	FC	₹	
Forward Contract to sell foreign Currency	USD	78.84	5,109.95	113.91	7,546.82	123.00	7,687.50	Hedge of Foreign Currency sales
	USD	147.50	9,566.11	116.00	7,685.29	291.00	18,187.50	Hedge of Foreign Currency High probable sales
Forward Contract to buy foreign Currency	USD	82.73	5,365.39	80.36	5,324.05	83.22	5,201.25	Hedge of foreign currency purchase
	EURO	-	-	3.63	273.78	-	-	
	USD	55.74	3,614.91	27.65	1,831.88	247.51	15,469.38	Hedge of Foreign Currency Buyer's Credit
	EURO	19.54	1,354.96	9.08	684.83	2.71	182.03	
	USD	228.17	14,797.79	193.76	12,837.08	42.14	2,633.75	Hedge of Foreign Currency Firm Commitment - Pos
	USD	60.66	3,934.22	-	-	-	-	Hedge of FCNR Loan
Cross Currency Interest Rate Swap	USD	-	-	11.00	728.78	33.00	2,062.50	Hedge of Term Loan
Principal only Swap	USD	-	-	-	-	31.25	1,953.13	Hedge of Term Loan
Cross Currency Interest Rate Swap*	USD	363.21	23,555.90	246.09	16,304.08	30.98	1,936.25	Hedge of Foreign Currency Buyer's Credit
	EURO	33.03	2,290.18	33.03	2,491.18	-	-	
Options contract to buy foreign currency**	USD	5.74	372.57	-	-	17.18	1,073.75	Hedge of Foreign Currency Buyer's Credit

\* Cross Currency Interest Rate Swap (CCIRS) has been designated as an effective hedging instrument w.e.f. April 1, 2016

\*\* Options outstanding as on March 2015 were not designated as effective hedging instruments

(All amounts in foreign currency in lacs)

Unhedged Foreign currency Exposure*	Currency	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Short Term borrowing	USD	20.00	-	96.20
Trade Payables	USD	20.19	67.30	56.03
	EURO	13.70	11.86	4.51
	JPY	764.07	42.11	6.30
	GBP	0.43	0.79	-
	CHF	0.15	-	-
Trade Receivables	USD	21.21	99.14	55.20
	EURO	8.15	7.97	1.36
	JPY	-	38.80	-
	GBP	-	0.77	-
Advances Recoverable in cash or kind	USD	-	6.02	8.68
Interest Accrued and not due on borrowings	USD	-	-	0.40

\*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 the statement of profit and loss.

The cash flow hedges of the expected future sales / recognized sales receivables as at March 31, 2017 were assessed to be highly effective and a net unrealised gain of ₹ 367.27 lacs, with a deferred tax liability of ₹ 127.10 lacs relating to the hedging

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

instruments, is included in other comprehensive income (OCI). Comparatively, the cash flow hedges of the expected future sales as at March 31, 2016 were assessed to be highly effective and an unrealised gain of ₹ 317.45 lacs with a deferred tax liability of ₹ 109.86 lacs was included in OCI in respect of these contracts.

The cash flow hedges of the expected future purchases / recognised purchase payables as at March 31, 2017 were assessed to be highly effective, and as at March 31, 2017, a net unrealised loss of ₹ 682.42 lacs with a related deferred tax asset of ₹ 236.17 lacs was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the expected future purchases/ recognised purchase payables as

at March 31, 2016 were also assessed to be highly effective and an unrealised loss of ₹ 329.98 lacs with a deferred tax asset of ₹ 114.20 lacs was included in OCI in respect of these contracts.

The Cash Flow hedges of the Buyer's Credit outstanding as on March 31, 2017 were assessed to be highly effective and as at March 31, 2017, a net unrealised loss of ₹ 1520.47 lacs with a related deferred tax asset of ₹ 526.20 lacs was included in OCI in respect of these contracts. Comparatively, the cash flow hedges of the Buyer's Credit outstanding as on March 31, 2016 were assessed to be ineffective.

The Cash Flow hedges of the FCNR(B) loan and the Buyer's Credit outstanding as on March 31, 2017 for one of the subsidiaries, CEAT Specialty Tyres Limited, were assessed to

be highly effective, and as at March 31, 2017, a net unrealised gain of ₹ 450.42 lacs was included in OCI in respect of these contracts. There were no hedging transactions during the previous year.

### Note 49: 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, 2017		As at March 31, 2016		As at April 1, 2015	
	Carrying values	Fair values	Carrying values	Fair values	Carrying values	Fair values
<b>Financial assets</b>						
<b>At amortized cost</b>						
Loans (Non-current)	7.53	7.53	283.94	283.94	263.90	263.90
Other financial assets (Non-current)	578.30	578.30	402.76	402.76	422.86	422.86
<b>At fair value through other comprehensive income</b>						
Other financial assets (Non-current)	-	-	-	-	348.18	348.18
Other financial assets (Current)	-	-	157.54	157.54	883.47	883.47
<b>At fair value through profit and loss</b>						
Current investment	6,426.88	6,426.88	4,021.24	4,021.24	31,243.32	31,243.32
<b>Total</b>	<b>7,012.71</b>	<b>7,012.71</b>	<b>4,865.48</b>	<b>4,865.48</b>	<b>33,161.73</b>	<b>33,161.73</b>
<b>Financial liabilities</b>						
<b>At amortized cost</b>						
Borrowings (Non-current)	85,243.26	84,091.78	58,791.15	56,987.53	35,165.96	32,856.19
Other financial liabilities (Non-current)	145.70	60.99	145.20	54.51	142.20	47.88
<b>At fair value through other comprehensive income</b>						
Other financial liabilities (Non-current)	1,520.47	1,520.47	392.91	392.91	-	-
Other financial liabilities (Current)	211.21	211.21	-	-	-	-
<b>Total</b>	<b>87,120.64</b>	<b>85,884.45</b>	<b>59,329.26</b>	<b>57,434.95</b>	<b>35,308.16</b>	<b>32,904.07</b>

The management assessed that cash and cash equivalents, trade receivables, trade payables less than 1 year, bank overdrafts

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

current borrowing and other current financial assets and liabilities (except derivative financial instrument those being measured at fair value through other comprehensive income) 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. 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 group 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.

### Note 50: 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, 2017

(₹ in lacs)

Particulars	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial assets</b>				
<b>At amortized cost</b>				
Loans( Non-current)	7.53	-	7.53	-
Other financial assets (Non-current)	578.30	-	578.30	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
-Investment in quoted mutual fund and debentures	6,426.88	6,426.88	-	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings( Non-current)	84,091.78	19,950.00	62,262.25	1,879.53
Other financial liabilities (Non-current)	60.99	-	-	60.99
<b>At fair value through other comprehensive income</b>				
Other financial liabilities (Non-current)	1,520.47	-	1,520.47	-
Other financial liabilities (Current)				
- Derivative financial instrument	211.21	-	211.21	-

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Quantitative disclosures fair value measurement hierarchy for Assets / Liabilities as at March 31, 2016

(₹ in lacs)

Particulars	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial assets</b>				
<b>At amortized cost</b>				
Loans( Non-current)	283.94	-	283.94	-
Other financial assets (Non-current)	402.76	-	402.76	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
-Investment in quoted mutual fund	4,021.23	4,021.23	-	-
<b>At fair value through other comprehensive income</b>				
Other financial assets (Current)				
-Derivative financial instrument	157.54	-	157.54	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings( Non-current)	56,987.53	19,944.00	33,304.51	3,739.02
Other financial liabilities (Non-current)	54.51	-	-	54.51
<b>At fair value through other comprehensive income</b>				
Other financial liabilities (Non-current)	392.91	-	392.91	-

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 April 1, 2015

(₹ in lacs)

Particulars	Fair Value measurement using			
	Total	Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3) *
<b>Financial assets</b>				
<b>At amortized cost</b>				
Loans( Non-current)	263.90	-	263.90	-
Other financial assets (Non-current)	422.86	-	422.86	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
-Investment in quoted mutual fund	31,243.32	31,243.32	-	-
<b>At fair value through other comprehensive income</b>				
Other financial assets ( Non-current)	348.18	-	348.18	-
Other financial assets (Current)				
-Derivative financial instrument	883.47	-	883.47	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings (Non-current)	32,856.19	-	27,884.98	4971.21
Other financial liabilities (Non-current)	47.88	-	-	47.88

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

\* For valuation under level 3 following assumptions were made:

- All repayments of borrowings will happen at end of financial year and not during the year.
- For valuation purpose we have taken rate of 11.50% which represents additional borrowing rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 51 : Financial risk management objectives and policies

The Group'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 Group's operations. The Group's principal financial assets include trade and other receivables, mutual fund investments, and cash and cash equivalents that derive directly from its operations. The Group also enters into derivative transactions.

The Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group'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 analyses in the following sections relate to the position as at March 31, 2017 and March 31, 2016.

The sensitivity analyses 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, 2017.

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

Particulars	(₹ in lacs)		
	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Fixed rate borrowings	45,339.55	32,503.67	41,794.69
Floating rate borrowings	47,060.76	33,814.02	34,610.28
<b>Total borrowings</b>	<b>92,400.31</b>	<b>66,317.69</b>	<b>76,404.97</b>

The analyses 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 analyses:

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2017 and March 31, 2016 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, 2017 for the effects of the assumed changes of the underlying risk

### b. 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group 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, 2017, after taking into account the effect of interest rate swaps, approximately 49% of the Group's long term borrowings are at a fixed rate of interest (March 31, 2016: 49%).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### 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 Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

		(₹ in lacs)
	Increase/ decrease in basis points	Effect on profit before tax
<b>March 31, 2017</b>		
₹ 47,060.75 lacs	+/- 100 bps	-470.61 / +470.61
<b>March 31, 2016</b>		
₹ 33,814.00 lacs	+/- 100 bps	-338.14 / +338.14

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.

### c. 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group 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 Group 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, 2017, the Group hedged 95% (March 31, 2016: 100%, April 1, 2015: 100 %), of its foreign currency loans. This foreign currency risk is hedged by using foreign currency forward contracts. At March 31, 2017, the Group hedged 98% (March 31, 2016: 86%) 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 Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in Currency	Effect on profit before tax
	₹	₹ in Lacs
<b>March 31, 2017</b>		
Recognized net receivable - USD 1.90 Mio	+/- 1	+19.00 / - 19.00
Recognized net payables - EUR 0.56 Mio	+/- 1	- 5.60 / + 5.60
<b>March 31, 2016</b>		
Recognized net receivables - USD 3.79 Mio	+/- 1	+ 37.90 / - 37.90
Recognized net payables - EUR 0.39 Mio	+/- 1	- 3.90 / + 3.90

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 above 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.

### d. Commodity price risk

The Group 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 Group also entered into various purchase contracts for rubber and carbon black (for which there is an active market).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### Commodity price sensitivity

The following table details the Group'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 increase by 5%. For a 5% reduction 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, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Natural rubber	5,200.00	4,600.00	(5,200.00)	(4,600.00)
Synthetic rubber	3,600.00	2,700.00	(3,600.00)	(2,700.00)
Carbon black	2,000.00	2,100.00	(2,000.00)	(2,100.00)

### e. Equity price risk

The Group 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 Group's equity investments which are detailed in note 5. The Group equity investments majorly comprises of strategic investments rather than trading purposes.

### f. 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 Group 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 Group does not hold collateral as security. The Group has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

(₹ in lacs)

Particulars	As at March 31, 2017			As at March 31, 2016			As at April 1, 2015		
	Less than 180 days	More than 180 days but less than 360 days	More than 360 days	Less than 180 days	More than 180 days but less than 360 days	More than 360 days	Less than 180 days	More than 180 days but less than 360 days	More than 360 days
Expected loss rate	0.08%	49.48%	99.99%	0.00%	45.14%	99.81%	0.00%	47.13%	99.79%
Gross carrying amount	61,246.83	358.99	3,099.68	58,753.05	1,085.45	1,309.70	67,160.18	293.65	1,243.39
Loss allowance provision	48.60	177.62	3,099.43	-	489.99	1,307.17	-	138.40	1,240.78

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

Export customers are against Letter of Credit, bank guarantees, payment against documents and open credit and insurance cover on export outstanding under open credit is also taken. Generally deposits are taken from domestic debtors under replacement segment. The carrying amount and fair value of security deposit from dealers amounts to ₹31,951.94 lacs (March 31, 2016: ₹ 30,650.27 lacs; April 1, 2015: ₹ 30,618.43 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 Group's treasury department in accordance with the Group'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.

### g. Liquidity risk

The Group 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 Group also monitors the liquidity on a longer term wherein it is ensured that the long term assets are funded by long term liabilities. The Group ensures that the duration of its current assets is in line with the current liabilities to ensure adequate liquidity in the 3-6 months period.

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

### Liquidity exposure as at March 31, 2017

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	0.43	0.43
Current investments	6,426.88	-	-	6,426.88
Loans	128.78	6.22	-	135.00
Trade receivables	61,379.85	-	-	61,379.85
Cash and cash equivalents	2,401.09	-	-	2,401.09
Bank balances other than cash and cash equivalents	1,190.98	-	-	1,190.98
Other financial assets	1,415.87	507.12	26.19	1,949.18
<b>Total financial assets</b>	<b>72,943.45</b>	<b>513.34</b>	<b>26.62</b>	<b>73,483.41</b>
<b>Financial Liabilities</b>				
Long term borrowings	-	50,040.45	35,496.32	85,536.77
Short term borrowings	5,798.99	-	-	5,798.99
Other Financial Liabilities	40,746.97	1,520.47	145.70	42,413.14
Trade and Other payables	75,821.35	-	-	75,821.35
<b>Total financial liabilities</b>	<b>1,22,367.31</b>	<b>51,560.92</b>	<b>35,642.02</b>	<b>2,09,570.25</b>

### Liquidity exposure as at March 31, 2016

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	0.43	0.43
Current investments	4,021.23	-	-	4,021.23
Loans	280.06	274.05	9.89	564.00
Trade receivables	59,351.04	-	-	59,351.04

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
Cash and cash equivalents	1,365.86	-	-	1,365.86
Bank balances other than cash and cash equivalents	4,937.52	-	-	4,937.52
Other financial assets	912.10	378.06	0.30	1,290.46
<b>Total financial assets</b>	<b>70,867.81</b>	<b>652.11</b>	<b>10.62</b>	<b>71,530.54</b>
<b>Financial Liabilities</b>				
Long term borrowings,	-	33,963.72	25,032.68	58,996.40
Short term borrowings	3,353.64	-	-	3,353.64
Other Financial Liabilities	37,859.51	392.91	145.20	38,397.62
Trade and Other payables	63,532.12	-	-	63,532.12
<b>Total financial liabilities</b>	<b>1,04,745.27</b>	<b>34,356.63</b>	<b>25,177.88</b>	<b>1,64,279.78</b>

### Liquidity exposure as at April 1, 2015 (₹ in Lacs)

(₹ in lacs)

Particulars	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	0.43	0.43
Current investments	31,243.32	-	-	31,243.32
Loans	327.41	263.80	-	591.21
Trade receivables	67,318.04	-	-	67,318.04
Cash and cash equivalents	7,057.76	-	-	7,057.76
Bank balances other than cash and cash equivalents	2,667.61	-	-	2,667.61
Other financial assets	1,869.31	740.79	-	2,610.10
<b>Total financial assets</b>	<b>1,10,483.45</b>	<b>1,004.59</b>	<b>0.43</b>	<b>1,11,488.47</b>
<b>Financial Liabilities</b>				
Long term borrowings	-	29,916.87	5,514.53	35,431.40
Short term borrowings	26,427.47	-	-	26,427.47
Other Financial Liabilities	48,425.05	-	142.20	48,567.25
Trade and Other payables	63,789.00	-	-	63,789.00
<b>Total financial liabilities</b>	<b>1,38,641.52</b>	<b>29,916.87</b>	<b>5,656.73</b>	<b>1,74,215.12</b>

#### h. 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 Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group'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 Group to manage risk concentrations at both the relationship and industry levels.

#### Collateral

The Company has hypothecated the entire current assets to its consortium of bankers. The term lenders also have a second charge on the varied current assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

### Note 52: Capital management

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

The Group 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	As at March 31, 2017	As at March 31, 2016	(₹ in lacs) As at April 1, 2015
Borrowings (Note 20, 25 & 27) #	92,400.31	66,317.68	76,404.97
Trade payables (Note 26)	75,821.35	63,532.12	63,789.00
Less: cash and cash equivalents (Note 12)	(2,401.09)	(1,365.86)	(7,057.76)
<b>Net debt</b>	<b>1,65,820.57</b>	<b>1,28,483.94</b>	<b>1,33,136.21</b>
Equity attributable to equity holders of parent (refer note 17 and 18)	2,41,495.43	2,05,473.94	1,71,344.13
<b>Capital and net debt</b>	<b>4,07,316.00</b>	<b>3,33,957.88</b>	<b>3,04,480.34</b>
<b>Gearing ratio</b>	<b>41%</b>	<b>38%</b>	<b>44%</b>

The Group'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, 2017 and March 31, 2016.

### Note 53: Specified Bank Note

During the year, the Group had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on details of Specified Bank Notes (SBN) held and transacted during the period November 8, 2016 to December 30, 2016 the denominations wise SBNs and other notes as per notification is given below:

Particulars	SBN's*	Other denomination notes	(₹ in Lacs) Total
Closing cash in hand as on November 8, 2016	7,55,000	3,80,510.00	11,35,510.00
Add: Permitted receipts	-	14,41,450.00	14,41,450.00
Less: Permitted payments	-	14,36,150.00	14,36,150.00
Less: Amount deposited in Banks	7,55,000	12,500.00	7,67,500.00
<b>Closing cash in hand as on December 30, 2016</b>	<b>-</b>	<b>3,73,310.00</b>	<b>3,73,310.00</b>

\* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated November 8, 2016.

### Note 54: First-time adoption of Ind AS

The Group had prepared its financial statements in accordance with the Accounting Standards (AS) notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP) for

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

and including the year ended March 31, 2016. The Group has prepared its first Ind AS (Indian Accounting Standards) compliant Financial Statements for the year ended March 31, 2017 with restated comparative figures for the year ended March 31, 2016 in compliance with Ind AS. Accordingly, the Opening Balance Sheet, in line with Ind AS transitional provisions, has been prepared as at April 1, 2015, the date of Group's transition to Ind AS. The principal adjustments made by the Group in restating its Indian GAAP financial statements for the financial year ending March 31, 2016 and the Balance Sheet as at April 1, 2015 are as mentioned below:

## Exemptions applied

Ind AS 101 on First Time Adoption of Ind AS allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions:

- Ind AS 103 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses under Ind AS that occurred before April 1, 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The group recognises all assets acquired and liabilities assumed in a past business combination, except (i) certain financial assets and liabilities that were derecognised and that fall under the de-recognition exception, and (ii) assets (including goodwill) and liabilities that were not recognised in the acquirer's consolidated balance sheet under its previous GAAP and that would not qualify for recognition under Ind AS in the individual balance sheet of the acquiree. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS balance sheet. The Group did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

The group has used same exemptions for interest in joint ventures.

- There is no change in the functional currency of the Group and accordingly, it has elected to continue with the carrying values for all of its property, plant and equipment as recognised in its Indian GAAP financial statements as the deemed cost at the transition date subject to the adjustments for decommissioning liabilities. As per the exemption under Ind AS 101, decommissioning liability was measured in accordance with Ind AS 37 at the date of transition to Ind AS. To the extent the liability was within the scope of Appendix-A of Ind AS 16, estimated liability

that would have been included in the cost of related asset was discounted by using best estimate of the historical risk adjusted discount rate over the intervening period. Accumulated depreciation was calculated on that amount as at the date of transition to Ind AS on the basis of the current estimate of the useful life of the asset using the depreciation policy adopted by the Group in accordance with Ind AS.

- The Group has elected to use the previous GAAP carrying values as deemed cost at the transition date for all its intangible assets.
- Appendix C to Ind AS 17 requires the Company to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Group has used Ind AS 101 exemption and assessed all relevant arrangements for leases based on conditions in place as at the date of transition.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at April 1, 2015.
- The Group has a 50% interest in a joint arrangement called the CEAT Kelani Holding Company Pvt. Limited which was set up as a partnership together with Kelani Tyres Limited. Under Indian-GAAP group has proportionately consolidated its interest in the CEAT Kelani Holding Company Pvt. Limited in the Consolidated Financial Statement. On transition to Ind AS the group has assessed and determined that CEAT Kelani Holding Company Pvt. Limited is its joint venture under Ind AS 111 Joint Arrangements. Therefore, it needs to be accounted for using the equity method as against proportionate consolidation. For the application of equity method, the initial investment is measured as the aggregate of carrying amount of assets and liabilities that the group had previously proportionately consolidated.

## Exceptions applied

Ind AS 101 specifies mandatory exceptions from retrospective application of certain requirements under Ind AS for first-time adopters. Following exceptions are applicable to the Group:

### I. Use of Estimates

The estimates at April 1, 2015 and March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

- Impairment of financial assets based on Expected Credit Loss (ECL) model

The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions at April 1, 2015, the date of transition to Ind AS and as of March 31, 2016.

## II. Impairment of financial assets

The Group has applied the exception related impairment of financial assets given in Ind AS 101. It has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial assets were initially recognised and compared that to the credit risk as at April 1, 2015.

## III. Government Loans

The Group has applied the exception related to government loans (i.e. sales tax deferral scheme) existing at the date of transition to Ind AS and it has used its previous GAAP carrying amount of the loan at the date of transition to Ind AS the carrying amount of the loan in the opening Ind AS statement of financial position.

## IV. De-recognition of financial assets and financial liabilities

The Group has elected to apply the de-recognition requirements for financial assets and financial liabilities in Ind AS 109 prospectively for transactions occurring on or after the transition to Ind AS.

## V. Classification and measurement of financial assets

The Group has classified the financial assets in accordance to Ind AS 109 on the basis of the facts and circumstances that exist on the date of transition to Ind AS.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Reconciliation of equity as at 1 April 2015 (date of transition to Ind AS)

(₹ in lacs)

Particulars	Footnotes	Indian GAAP	Adjustments	Ind AS
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1, 3	1,50,113.44	(5,625.60)	1,44,487.84
Capital work-in-progress	1	22,902.43	(518.00)	22,384.43
Goodwill on Consolidation	1	2,153.11	(2,153.11)	-
Intangible assets	1	5,813.70	(158.14)	5,655.56
<b>Financial Assets</b>				
Investments	1	0.43	13,053.27	13,053.70
Loans	1	343.79	(79.89)	263.90
Other financial assets		771.04	-	771.04
Other non-current assets	1, 9	5,723.51	(253.76)	5,469.75
Non-current tax assets (net)		2,569.58	-	2,569.58
<b>Total non-current assets</b>		<b>1,90,391.03</b>	<b>4,264.77</b>	<b>1,94,655.80</b>
<b>Current assets</b>				
Inventories	1	68,014.52	(2,671.32)	65,343.20
<b>Financial Assets</b>				
Investments		31,243.32	-	31,243.32
Trade receivables	1	70,494.98	(3,176.94)	67,318.04
Cash and cash equivalents	1	9,695.19	(2,637.43)	7,057.76
Bank balances other than cash and cash equivalents		2,667.62	-	2,667.62
Loans	1	280.11	47.19	327.30
Other financial assets	1, 4	1,855.58	(16.51)	1,839.07
Other current assets		7,600.95	113.96	7,714.91
<b>Total Current assets</b>		<b>1,91,852.27</b>	<b>(8,341.05)</b>	<b>1,83,511.22</b>
<b>Total Assets</b>		<b>3,82,243.30</b>	<b>(4,076.28)</b>	<b>3,78,167.02</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity Share Capital		4,045.01	-	4,045.01
Other Equity	2	1,64,180.52	3,118.60	1,67,299.12
<b>Equity attributable to equity holders of parent</b>		<b>1,68,225.53</b>	<b>3,118.60</b>	<b>1,71,344.13</b>
Non-controlling Interest		3,267.40	-	3,267.40
<b>Total Equity</b>		<b>1,71,492.93</b>	<b>3,118.60</b>	<b>1,74,611.53</b>
<b>Non-current liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	1, 9	35,443.62	(277.66)	35,165.96
Other financial liabilities		142.20	-	142.20
Provisions	1, 7	3,238.11	(450.40)	2,787.71
Deferred tax liabilities (net)	1, 8	12,495.05	95.55	12,590.60
Deferred revenue	12	-	1,214.22	1,214.22
<b>Total non-current liabilities</b>		<b>51,318.98</b>	<b>581.71</b>	<b>51,900.69</b>
<b>Current liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	1	27,154.82	(727.35)	26,427.47
Trade payables	1	65,828.13	(2,039.13)	63,789.00
Other financial liabilities	1	48,432.58	(7.54)	48,425.04
Deferred revenue	12	-	82.13	82.13
Other current liabilities	1	6,918.87	(86.89)	6,831.98
Provisions	1, 7, 5	10,093.39	(4,645.33)	5,448.06
Current tax liabilities (net)	1	1,003.60	(352.48)	651.12
<b>Total current liabilities</b>		<b>1,59,431.39</b>	<b>(7,776.59)</b>	<b>1,51,654.80</b>
<b>Total equity and liabilities</b>		<b>3,82,243.30</b>	<b>(4,076.28)</b>	<b>3,78,167.02</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Reconciliation of equity as at 31 March, 2016

(₹ in lacs)

Particulars	Footnotes	Indian GAAP	Adjustments	Ind AS
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1, 3	2,03,850.11	(6,519.74)	1,97,330.37
Capital work-in-progress	1	30,341.67	(517.88)	29,823.79
Goodwill on Consolidation	1	2,049.95	(2,049.95)	-
Intangible assets	1	5,985.40	(108.76)	5,876.64
Intangible assets under development		84.36	-	84.36
<b>Financial Assets</b>				
Investments		14.61	15,513.58	15,528.19
Loans	1	344.11	(60.17)	283.94
Other financial assets		402.76	-	402.76
Deferred tax assets		-	-	-
Other non-current assets	1, 9	5,467.53	(204.60)	5,262.93
Non-current tax assets (net)		6,881.37	-	6,881.37
<b>Total non-current assets</b>		<b>2,55,421.87</b>	<b>6,052.48</b>	<b>2,61,474.35</b>
<b>Current assets</b>				
Inventories	1	66,206.39	(2,235.29)	63,971.10
<b>Financial Assets</b>				
Current Investments		4,016.95	4.29	4,021.24
Trade receivables	1	61,879.84	(2,528.80)	59,351.04
Cash and cash equivalents	1	5,788.04	(4,422.18)	1,365.86
Bank balances other than cash and cash equivalents	1	4,937.52	-	4,937.52
Loans		272.21	7.85	280.06
Other financial assets	1, 4	903.88	(16.17)	887.71
Other current assets		14,386.10	120.03	14,506.13
<b>Total Current assets</b>		<b>1,58,390.93</b>	<b>(9,070.27)</b>	<b>1,49,320.66</b>
<b>Total Assets</b>		<b>4,13,812.80</b>	<b>(3,017.79)</b>	<b>4,10,795.01</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity Share Capital		4,045.01	-	4,045.01
Other Equity	2	2,02,408.09	(979.16)	2,01,428.93
<b>Equity attributable to equity holders of parent</b>		<b>2,06,453.10</b>	<b>(979.16)</b>	<b>2,05,473.94</b>
Non-controlling Interest		3,224.46	-	3,224.46
<b>Total Equity</b>		<b>2,09,677.56</b>	<b>(979.16)</b>	<b>2,08,698.40</b>
<b>Non-current liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	1, 9	58,996.42	(205.27)	58,791.15
Other financial liabilities		538.11	-	538.11
Provisions	1, 7	3,590.14	(919.56)	2,670.58
Deferred tax liabilities (net)	1, 8	15,669.84	150.07	15,819.91
Deferred revenue	12	-	1,132.09	1,132.09
<b>Total non-current liabilities</b>		<b>78,794.51</b>	<b>157.33</b>	<b>78,951.84</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	1	3,859.01	(505.37)	3,353.64
Trade payables	1	64,348.37	(816.25)	63,532.12
Other financial liabilities	1	37,859.52	-	37,859.52
Deferred revenue	13	-	82.13	82.13
Other current liabilities	1	10,894.09	(963.31)	9,930.78
Provisions	1, 7, 5	4,441.87	261.49	4,703.36
Current tax liabilities (net)		3,937.87	(254.65)	3,683.32
<b>Total current liabilities</b>		<b>1,25,340.73</b>	<b>(2,195.96)</b>	<b>1,23,144.77</b>
<b>Total equity and liabilities</b>		<b>413,812.80</b>	<b>(3,017.79)</b>	<b>410,795.01</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Reconciliation of profit or loss for the year ended 31 March, 2016

(₹ in lacs)

Particulars	Footnotes	Indian GAAP	Adjustments	Ind AS
<b>INCOME</b>				
Revenue from operations	7, 10, 13	571,412.91	43,178.83	614,591.74
Other Income	4	2,986.48	(218.54)	2,767.94
<b>Total Revenue</b>		<b>574,399.39</b>	<b>42,960.29</b>	<b>617,359.68</b>
<b>EXPENSES</b>				
Cost of material consumed		304,105.20	(8,726.92)	295,378.28
Purchase of stock-in-trade		13,766.07	1,079.44	14,845.51
Changes in inventories of finished goods, stock-in-trade and work-in-progress		(979.24)	(159.51)	(1,138.75)
Employee benefit expense	6	40,879.84	(2,054.71)	38,825.13
Finance costs	3, 7	9,073.90	414.65	9,488.55
Depreciation and amortization expense	3	10,749.57	22.43	10,772.00
Excise duty on sale of goods		-	66,236.55	66,236.55
Other expenses	10	131,412.26	(8,287.77)	123,124.49
<b>Total Expenses</b>		<b>5,09,007.60</b>	<b>48,524.16</b>	<b>557,531.76</b>
<b>Profit before exceptional items and tax</b>		<b>65,391.79</b>	<b>(5,563.87)</b>	<b>59,827.92</b>
Exceptional items		(1,139.99)	-	(1,139.99)
<b>Profit / (loss) before tax</b>		<b>64,251.80</b>	<b>(5,563.87)</b>	<b>58,687.93</b>
<b>Tax expense</b>				
Current tax		16,298.60	(990.00)	15,308.60
Deferred tax	8	3,485.83	(60.51)	3,425.32
<b>Profit / (loss) for the period</b>		<b>44,467.37</b>	<b>(4,513.36)</b>	<b>39,954.01</b>
Share of profit / (loss) from joint venture		-	3,617.93	3,617.93
<b>Net profit for the year</b>		<b>44,467.37</b>	<b>(895.43)</b>	<b>43,571.94</b>
Attributable to :				
(a) Non-controlling interest		(182.23)	-	(182.23)
(b) Equity holders of the parent		44,649.60	(895.43)	43,754.17
<b>Other Comprehensive Income</b>				
<b>Items that will not be reclassified subsequently to statement of profit and loss</b>				
Remeasurement gains / (losses) on defined benefit plans	6	-	280.87	280.87
Income tax relating to above	6	-	(97.20)	(97.20)
<b>Items that will be reclassified subsequently to statement of profit and loss</b>				
Net movement in cash flow hedges		-	(53.95)	(53.95)
Income tax relating to above		-	18.67	18.67
Movement in foreign exchange fluctuation reserve		-	110.17	110.17
Income tax relating to above		-	-	-
<b>Total Comprehensive Income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>		<b>44,467.37</b>	<b>(637.87)</b>	<b>43,830.50</b>
Attributable to :				
(a) Non-controlling interest		(182.23)	-	(182.23)
(b) Equity holders of the parent		44,649.60	(637.87)	44,012.73

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Footnotes to the reconciliation of equity as at April 1, 2015 and March 31, 2016 and profit or loss for the period ended March 31, 2016

### 1. Joint Venture

The Group holds 50% interest in CEAT Kelani Holding Company Pvt. Limited and exercises joint control over the entity. Under Indian-GAAP group has proportionately consolidated its interest in CEAT Kelani Holding Company Pvt. Limited in the Consolidated Financial Statement. On transition to Ind AS the group has assessed and determined that CEAT Kelani Holding Company Pvt. Limited is its joint venture under Ind AS 111 Joint Arrangements. Therefore, it needs to be accounted for using the equity method as against proportionate consolidation. For the application of equity method, the initial investment is measured as the aggregate of Ind AS amount of assets and liabilities that the group had previously proportionately consolidated including any goodwill arising on acquisition. On application of equity method the investment stands increased by ₹ 13,053.27 lacs on April 1, 2015 and by ₹ 15,513.58 lacs on March 31, 2016. De-recognition of proportionately consolidated CEAT Kelani Holding Company Pvt. Limited has resulted in change in balance sheet, statement of profit and loss and cash flow statement. For its impact on the financial statement refer note 43.

### 2. Foreign Currency Translation

Under Indian GAAP, the Group recognised translation differences on foreign operations in a separate component of equity. Under Ind AS, Cumulative currency translation differences for all foreign operations are deemed to be zero as at April 1, 2015. The resulting adjustment of ₹ 1,002.19 lacs were recognised against retained earnings.

### 3. Decommissioning liability

Under Ind AS, provision for Decommissioning liability is measured at present value of the expenditure expected to be incurred to settle the obligation. ₹ 43.80 Lacs being the present value of Decommissioning liability provision, net of depreciation effect has been adjusted and credited to retained earnings as on the transition date.

### 4. Derivative instruments

The fair value of foreign exchange forward contracts is recognised under Ind AS, which was not recognised under Indian GAAP. The corresponding adjustment of ₹ 16.51 lacs has been debited to Equity as on the transition date.

### 5. Proposed Dividend

Under Indian GAAP, proposed dividends including DDT are recognised as a liability in the period to which they

relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the Group (usually when approved by shareholders in a general meeting) or paid.

In the case of the Group, the declaration of dividend occurs after period end. Therefore, the liability of ₹ 4,532.68 lacs for the year ended on March 31, 2015 recorded for dividend has been derecognised against retained earnings on the transition date.

### 6. Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Group recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to the statement of profit and loss. Under Ind AS, re-measurements [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 other comprehensive income (OCI). Thus the employee benefit cost is decreased by ₹ 280.87 and re-measurement losses on defined benefit plans have been recognized in the OCI net of tax.

### 7. Provisions

Under Indian GAAP, the Group has accounted for provisions, including long-term provision, at the undiscounted amount. In contrast, Ind AS 37 requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. Ind AS 37 also provides that where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost. This led to a decrease in provision on the date of transition by ₹ 194.25 lacs with corresponding impact on equity. In FY 2015-16, this led to increase in provision by ₹ 7.92 lacs with a corresponding impact on revenue from sale of goods.

### 8. Deferred tax

Under Indian GAAP, deferred tax is accounted using the income statement approach as per timing differences between taxable profits and accounting profits for the period. Ind AS 12 requires accounting for deferred taxes using the balance sheet approach as per temporary

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to temporary differences as on the transition date.

Deferred tax liability in respect of temporary differences related to an investment in joint venture has been recognized because the Group doesn't control the dividend policy of its joint venture i.e. the Group doesn't controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will reverse in the foreseeable future.

## 9. Borrowings

Under Indian GAAP, unamortised transaction costs relating to borrowings is shown separately in assets, whereas under Ind AS such cost are netted off against the borrowings. Hence as on the transition date unamortised transaction cost of ₹ 273.99 lacs is netted off against the borrowings.

## 10. Excise Duty and Cash Discount

Excise duty of ₹ 66,236.76 lacs on account of sale of goods have been included in revenue as it is on own account because it is liability of the manufacturer which forms part of the production, irrespective of whether goods are sold or not.

Under Indian GAAP, cash discount of ₹ 4,283.37 lacs was recognised as part of other expenses which has been adjusted against the revenue under Ind AS during the year ended March 31, 2016.

## 11. Other comprehensive income

Under Indian GAAP, the Group has not presented other comprehensive income (OCI) separately. Hence, it has reconciled Indian GAAP profit or loss to profit or profit or loss as per Ind AS. Further, Indian GAAP profit or loss is reconciled to total comprehensive income as per Ind AS.

## 12. Government Grant

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

Hence as on transition date, non-current deferred revenue of ₹ 1,214.22 lacs and current deferred revenue of ₹ 82.13 lacs relating to benefit received from Export Promotion Capital Goods (EPCG) scheme is recognised. The corresponding adjustment of ₹ 1,296.34 lacs has been debited to Equity (March 31, 2016: ₹ 82.13 lacs).

## 13. Statement of cash flows

The transition from Indian GAAP to Ind AS has not had a material impact on the statement of cash flows.

### Note 55: Events after Balance sheet date

- The company has received orders for income tax refund amounting to ₹ 2,600 lacs for previous years in April 2017.
- The board has recommended dividend of ₹ 11.50 per share (previous year NIL) for financial year 2016-17.

### Note 56: Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows' and Ind AS, 102, 'Share-based payment'. The amendments are applicable from April 1, 2017.

#### Amendment to Ind AS 7

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

#### Amendment to Ind AS 102

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

The requirements of the amendment have no impact on the financial statements as the standard is not applicable to the Company.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2017

## Note 57: Information required for consolidated financial statement pursuant to Schedule III of the Companies Act, 2013

Name of Entity	Relationship	FY 2016-17					FY 2015-16					FY 2014-15	
		Net Assets i.e. Total Assets minus Total Liabilities	Share in Profit or Loss	Share in Profit or Loss	Share in Profit or Loss	Net Assets i.e. Total Assets minus Total Liabilities	Share in Profit or Loss	Share in Profit or Loss	Share in Profit or Loss	Share in Profit or Loss	Net Assets i.e. Total Assets minus Total Liabilities	Net Assets i.e. Total Assets minus Total Liabilities	As % of consolidated net assets
		As % of consolidated net assets	As % of consolidated Profit or Loss (Before OCI)	As % of consolidated Profit or Loss (After OCI)	As % of consolidated Profit or Loss (After OCI)	As % of consolidated net assets	As % of consolidated Profit or Loss (Before OCI)	As % of consolidated Profit or Loss (After OCI)	As % of consolidated Profit or Loss (After OCI)	As % of consolidated net assets	As % of consolidated net assets	As % of consolidated net assets	As % of consolidated net assets
CEAT Limited	Parent	82.19%	90.76%	88.41%	88.41%	81.51%	95.55%	95.64%	95.64%	85.34%	85.34%	85.34%	85.34%
Rado Tyres Limited	Indian Subsidiary	0.14%	(0.20%)	(0.20%)	(0.20%)	0.26%	(0.17%)	(0.17%)	(0.17%)	0.19%	0.19%	0.19%	0.19%
CEAT Specialty Tyres Limited	Indian Subsidiary	5.99%	(2.77%)	(1.55%)	(1.55%)	5.71%	(2.54%)	(2.53%)	(2.53%)	0.73%	0.73%	0.73%	0.73%
CEAT AKKHAH Limited	Foreign Subsidiary	2.84%	(0.92%)	(1.11%)	(1.11%)	3.52%	(1.03%)	(0.77%)	(0.77%)	4.37%	4.37%	4.37%	4.37%
Associated CEAT Holding Pvt Limited (ACHL)	Foreign Subsidiary	0.80%	5.81%	5.86%	5.86%	0.01%	0.00%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%
CEAT Kelani Holdings (Pvt) Limited (as per equity method)	Joint Venture	6.85%	7.85%	8.21%	8.21%	7.44%	8.27%	8.25%	8.25%	7.48%	7.48%	7.48%	7.48%
Minority Interest in all subsidiaries													
Rado tyres limited	Indian Subsidiary	0.01%	(0.14%)	(0.14%)	(0.14%)	0.04%	(0.12%)	(0.12%)	(0.12%)	0.08%	0.08%	0.08%	0.08%
CEAT AKKhan Limited	Foreign Subsidiary	1.18%	(0.39%)	(0.39%)	(0.39%)	1.51%	(0.30%)	(0.30%)	(0.30%)	1.80%	1.80%	1.80%	1.80%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
		<b>2,44,409.96</b>	<b>35,922.97</b>	<b>35,811.54</b>	<b>35,811.54</b>	<b>2,08,698.40</b>	<b>4,3571.94</b>	<b>43,830.50</b>	<b>43,830.50</b>	<b>1,74,611.53</b>	<b>1,74,611.53</b>	<b>1,74,611.53</b>	<b>1,74,611.53</b>

The accompanying notes are an integral part of the financial statements

For and on behalf of Board of Directors of CEAT Limited

As per our report of even date

For **SRBC & CO LLP**

Chartered Accountants

ICAI Firm Registration No.:324982E/E3000003

**Kumar Subbiah**

Chief Financial Officer

**H.V. Goenka**

Chairman

**Anant Goenka**

Managing Director

per **Vinayak Pujare**

Partner

Membership Number : 101143

Place : Mumbai

Date: April 28, 2017

**Shruti Joshi**

Company Secretary

**Maresh Gupta**

Chairman- Audit Committee

Place : Mumbai

Date: April 28, 2017

## NOTES

## NOTES

## CEAT LIMITED

Regd. Office: 463, Dr. Annie Besant Road, Worli, Mumbai 400 030.  
Corporate Identification Number (CIN): L25100MH1958PLC011041  
Tel: +91-22-24930621(B)+91-22-25297423 (F) website:www.ceat.com. E-mail: investors@ceat.in

### ATTENDANCE SLIP

(To be presented at the entrance of the meeting hall duly signed)

Registered Folio No./ DP ID/Client ID	
Name and address of the Member(s)	
No. of Share(s)	
Name of the Proxy/ Authorized Representative (In Block letters)	
Signature of the Member(s)/ Proxy/ Authorized Representative	

I hereby record my presence at the Fifty-Eighth Annual General Meeting of the Company on Tuesday, August 8, 2017 at 3.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai 400 025.

Note: Please refer to the instructions printed under the Notes of the Notice of the Fifty-Eighth Annual General Meeting. The voting period starts from 9.00 a.m. on August 5, 2017 and will end at 5:00 p.m. on August 7, 2017. The voting module shall be disabled by CDSL for voting thereafter.

## CEAT LIMITED

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CIN: L25100MH1958PLC011041  
Tel: +91-22-24930621(B) +91-22-25297423(F) website: www.ceat.com. E-mail: investors@ceat.in

### FORM NO. MGT-11 PROXY FORM

[Pursuant to Section 105 (6) of the Companies Act, 2013 and Rule 19 (3) of the Companies  
(Management and Administration) Rules, 2014]

**CIN:** L25100MH1958PLC011041

**Name of the Company:** CEAT Limited

**Registered Office:** 463, Dr. Annie Besant Road, Worli, Mumbai 400 030

<b>Name of the Member(s):</b>	
<b>Registered Address:</b>	
<b>Email Id:</b>	
<b>Registered Folio No./ DP ID/Client ID</b>	

I/ We, being the Member(s) of \_\_\_\_\_ share(s) of the above named Company, hereby appoint;

- Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_  
Signature: \_\_\_\_\_ or failing him/ her
- Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_  
Signature: \_\_\_\_\_ or failing him/ her

3. Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
E-mail Id: \_\_\_\_\_  
Signature: \_\_\_\_\_ or failing him/ her

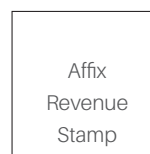
as my/ our proxy to attend and vote (on a poll) for me/ us and on my/ our behalf at the 58th Annual General Meeting of the Company to be held on Tuesday, August 8, 2017 at 3.00 p.m. at Ravindra Natya Mandir, P. L. Deshpande Maharashtra Kala Academy, Sayani Road, Prabhadevi, Mumbai- 400 025 and at any adjournment thereof in respect of such resolutions as are indicated below:

1. Adoption of:
  - a. the Audited Financial Statements of the Company for the financial year ended March 31, 2017, together with the Reports of the Board of Directors and the Auditors thereon; and
  - b. the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017, together with the Report of the Auditors thereon.
2. Declaration of dividend on Equity Shares for the financial year ended March 31, 2017.
3. Re-appointment of Mr. H. V. Goenka (DIN: 00026726) as a Director of the Company.
4. Appointment of Messrs S R B C & CO LLP, Statutory Auditors of the Company for the second term of 5 (five) consecutive years.
5. Authority for appointment of Branch Auditors.
6. Appointment of Mr. Anant Vardhan Goenka (DIN 02089850) as Managing Director of the Company.
7. Ratification of remuneration payable to Messrs D. C. Dave & Co., Cost Auditors of the Company.
8. Approval for making offer(s) or invitation(s) to subscribe secured/unsecured, non-convertible debentures/bonds or such other debt securities ("debt securities") through private placement basis in one or more series/ tranches, not exceeding ₹ 5,00,00,00,000 (Rupees Five Hundred Crores only).

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature of the shareholder: \_\_\_\_\_

Signature of Proxy holder(s): \_\_\_\_\_



Signature across the stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company at 463, Dr. Annie Besant Road, Worli, Mumbai 400 030, not less than 48 hours before the commencement of the Meeting.







**CEAT LIMITED**  
463, DR ANNIE BESANT ROAD, WORLI  
MUMBAI - 400 030  
Tel - 022 24930621  
[WWW.CEAT.COM](http://WWW.CEAT.COM)