



**CEAT LTD.**  
RPG House  
463 Dr. Annie Besant Road,  
Worli, Mumbai 400030, India  
+91 22 24930621  
CIN: L25100MH1958PLC011041  
www.ceat.com

June 25, 2018

**BSE Limited**

Corporate Service Department,  
1<sup>st</sup> Floor, P.J. Towers,  
Dalal Street,  
Mumbai 400 001

**The National Stock Exchange of India Limited**

Exchange Plaza, 3<sup>rd</sup> Floor,  
Plot No. C/1, "G" Block,  
Bandra Kurla Complex,  
Bandra East,  
Mumbai 400 051

**Security Code: 500878 and 952523**

**Symbol: CEATLTD**

Dear Sir/Madam,

**Sub: Notice of 59<sup>th</sup> Annual General Meeting and Annual Report for FY 2017-18**

In continuation to our letter dated May 31, 2018, please find enclosed herewith a copy of the Annual Report for FY 2017-18 of CEAT Limited, including Notice of the 59<sup>th</sup> Annual General Meeting of the Company scheduled to be held on Friday, July 20, 2018 at 3.30 p.m. at The Auditorium, Textile Committee, next to Trade Plaza (TATA Press), P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai 400 025.

Request you to kindly take the same on record and acknowledge receipt.

Thanking you,

Sincerely,  
For **CEAT Limited**

**Amit Dodani**  
**Compliance Officer**

Encl: As above



# SAFER, SMARTER MOBILITY



ANNUAL REPORT  
2017-2018



# RPG Group

Established in 1979, the RPG Group is a diversified conglomerate with interests in the areas of infrastructure, tyres, information technology, pharmaceuticals, energy and plantations. Founded by Dr. R P Goenka, the group's lineage dates back to the early 19<sup>th</sup> century. Today, the group has several companies in diverse sectors predominantly CEAT, Zensar Technologies, KEC International, and RPG Life Sciences. Built on a solid foundation of trust and tradition, the RPG name is synonymous with steady growth and high standards of transparency, ethics and governance.

## 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 materialise, 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.

# Index

## CEAT AT A GLANCE

- 03 — About CEAT
- 04 — Key Highlights
- 05 — Expanding Globally
- 06 — Geographic Presence
- 08 — Smart Products
- 10 — Smart Associations
- 12 — Coveted Awards
- 14 — Key Performance Indicators (Consolidated)
- 16 — Smart Campaigns

## THEME STORIES

- 18 — Building a Safe Mobility Ecosystem
- 22 — Facilitating Smart Mobility
- 24 — Commitment to Sustainability

- 26 — Corporate Social Responsibility
- 28 — Board of Directors
- 30 — Corporate Information

## STATUTORY REPORTS

- 32 — Management Discussion and Analysis
- 46 — Discussion on the Financial Performance
- 58 — Notice
- 70 — Board's Report
- 103 — Corporate Governance Report
- 124 — Business Responsibility Report

## FINANCIAL STATEMENTS

- 131 — Standalone Financial Statements
- 200 — AOC-1
- 202 — Consolidated Financial Statements

Sometime ago we launched the RPG group's new brand tagline – Hello Happiness. This tagline will henceforth form a part of our group's ethos. Our Vision tenets clearly outline the path we will all collectively traverse – one that seeks to propel every RPGian to overcome their own limitations; one that will drive each of us to contribute and shape the lives of others around us positively; an organisation where dreams will not be constrained by fences. The smiley signifies 'THAT' Happiness which is within our grasp, which is the culmination of our Vision tenets and is now captured in our tagline. Hello Happiness is a bold statement of confidence and purpose – a statement that helps us open our doors to a world of opportunities and possibilities; a statement that signifies our intent to touch and enrich the lives of others.

 **hello happiness**

# SAFER, SMARTER MOBILITY

At CEAT, our constant endeavour is to build best-in-class products, which resonate with our purpose of 'Making Mobility Safer and Smarter. Everyday'.

Leveraging our strengths of knowledge, experience, technical capability, dynamism and aggression, we have successfully built a safer and smarter mobility ecosystem through our products.

Our cutting-edge mobility solutions with industry-first products have put us on a global platform of excellence, taking our purpose beyond roads. We strive to touch the lives of people, both on road and off road, ensuring their safety with our state-of-the-art products and services.

We are committed to creating the future of mobility as we help the nation drive safely and smartly.



## OUR PURPOSE

**Making Mobility  
Safer and Smarter.  
Everyday.**

# ABOUT CEAT



Deming Prize is a testimony of the successful implementation of Total Quality Management (TQM) at CEAT

## Ruling the Road



Established in

**1958**



Part of the

₹ **22,000** crs

RPG Group



Manufactures a

**wide range**

of high-performance tyres  
across vehicle segments



Manufacturing capacity  
of more than

**95,000** tyres

per day



Net sales

₹ **6,075** crs

Standalone



**5617**

Employees

## Our Values

CAIRO defines the culture at CEAT and has helped build a stronger, ethical and consumer-oriented organisation.



**CHALLENGER**

Innovative and agile, questioning the existing ways and promoting experimentation

**ASPIRATION-LED**

Purpose-led, passion for superior performance and walking the extra mile

**INTEGRITY**

Being authentic, transparent and keeping commitments

**RESULT OBSESSION**

Passion, high energy, speed and collaboration

**OPENNESS**

Approachable, open and boundary-less

# KEY HIGHLIGHTS

## Progressing Steadily



Recipient of the  
**Deming** Prize

First tyre company, outside Japan, to win this award



Ranked No.1 in  
**J.D Power**  
2017

In passenger car and utility vehicle segment for new vehicles



₹ **6,330** crs

Standalone revenue from operations



EBITDA  
₹ **684** crs

Standalone



Profit after tax  
₹ **279** crs

Standalone



Earnings per share  
₹ **68.90**

Standalone



ROCE  
**9.70** %

Standalone



Dividend per share  
₹ **11.50**

Standalone



New products launched  
**65+**



Country presence  
**100+**



Market capitalisation crossed  
USD **1**bn  
(on May 2, 2017)



**NO. 1**

Player in Sri Lanka in terms of market share

# EXPANDING GLOBALLY

## CEAT returns to Europe



## Stronger than ever in the UAE



For years, the UAE has been a major market for CEAT in the Middle East region. The brand has been growing stronger in the passenger car tyre segment by increasing its visibility to get maximum counter-share at its esteemed dealers throughout the UAE.

## Entry into US and Europe's Specialty tyres market

### Italy

CEAT entered the coveted European market in 2016 through its exclusive range of passenger car tyres. Italy – the birth place of CEAT – became the natural choice for its re-entry. CEAT aims to be the brand of choice through focussed branding and marketing efforts in the country.

### Spain

In Spain, CEAT has paved its way to become one of the most sought-after quality brands within one and a half years. Continuous focus on branding is helping to establish CEAT in the country.

### Poland

After Italy and Spain, Poland has been the next big bet for CEAT. Though a new entrant, CEAT has been able to establish itself in Poland with its ever-increasing footprint in the last one year.



CEAT Specialty Tyres Limited (CSTL) is a wholly-owned subsidiary of CEAT. CSTL introduced a new range of high-quality Agriculture radial tyres, manufactured at its new state-of-the-art plant at Ambarnath, in the US and Europe markets.

A 360-degree marketing campaign was launched to drive awareness about the brand.

CSTL launched print media campaigns in leading industry publications in the US and Europe (the UK, France and Germany) with an objective to introduce the brand as well as to drive its key differentiator i.e. the power of CTR (low Compaction, high Traction and high Roadability)

CSTL had an impactful presence at Agritechnica – the world's leading trade fair for agricultural technology show in Europe.

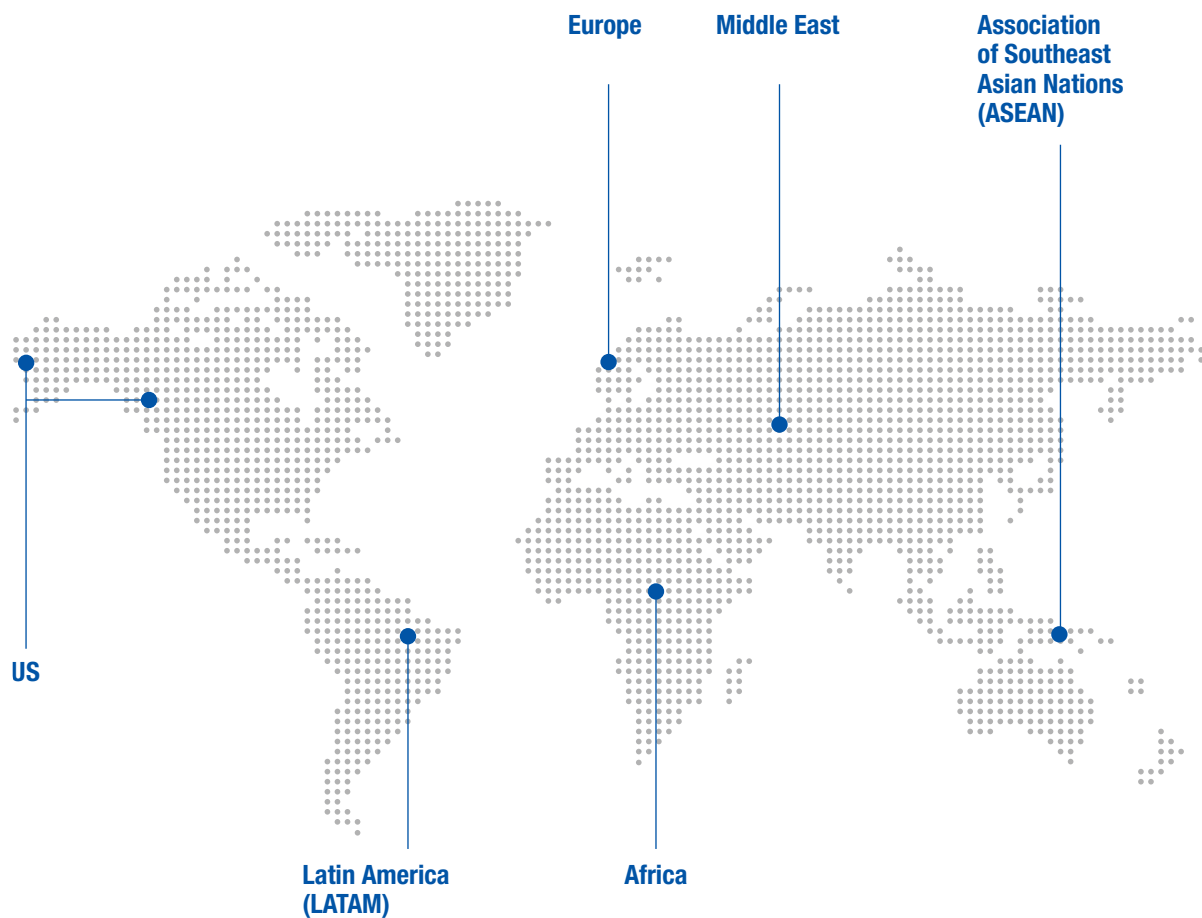


CSTL's Agriculture radial tyres, 85 series, were tested against competition by VTT, a third-party testing agency, based out of Finland. The tyres were tested on parameters such as Soil compaction, Traction, Comfort (vibration) and Fuel consumption. Agriculture radial tyres were found to be either better or comparable on the test parameters vis-à-vis competition.



# GEOGRAPHIC PRESENCE

## Global Footprint



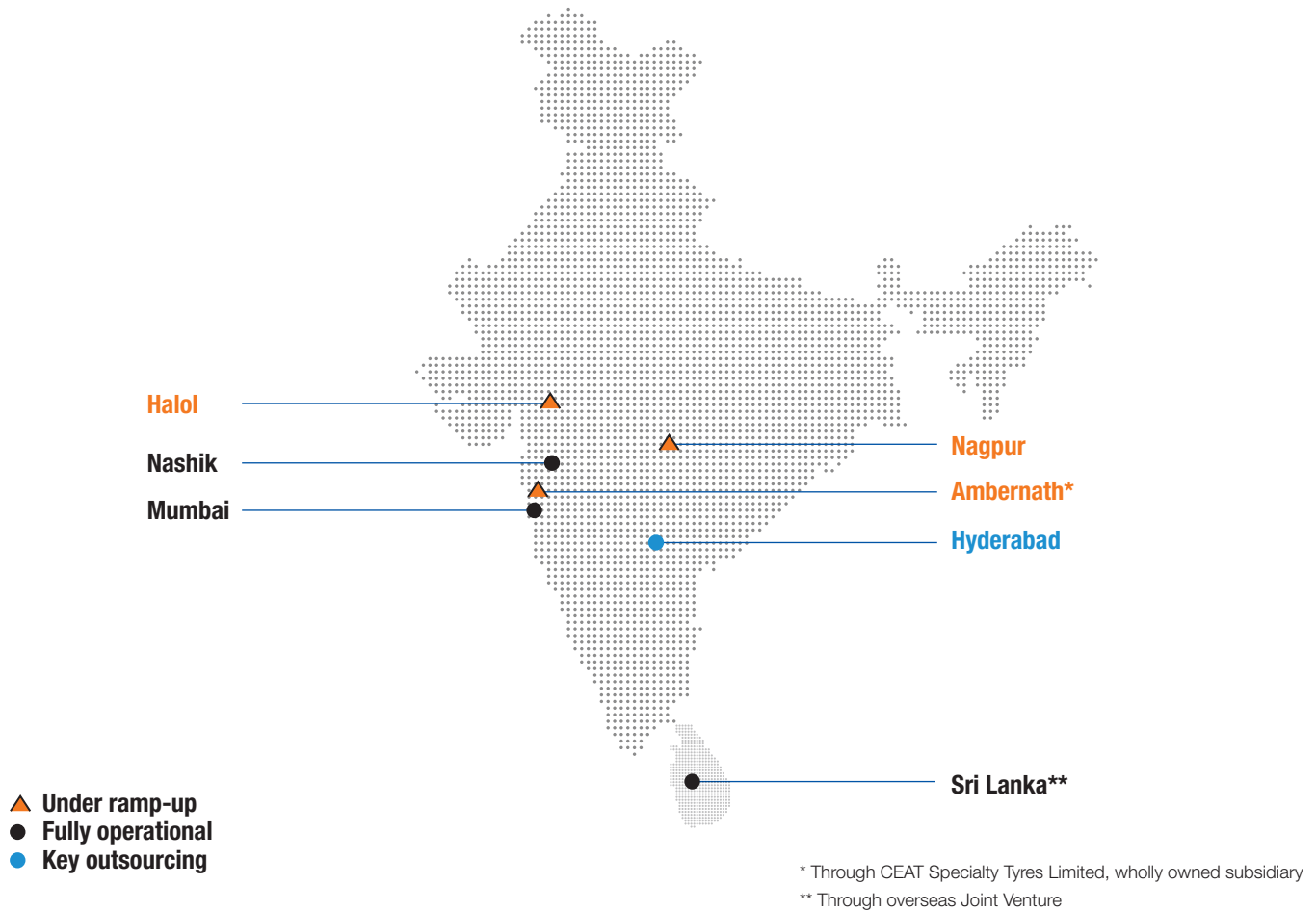
## Distribution Network in India

Dealers  
**4,500+**

Two-wheeler distributors  
**270+**

Exclusives  
(CEAT Shoppes and Hubs)  
**500+**

# Operational Facilities



Districts covered  
**600+**

Multi-brand outlets and shop-in-shop concepts  
**400+**

# SMART PRODUCTS

## Innovation at Work

### Passenger Car Tyres

#### Milaze X3\*



High-mileage tyres with upto 1 lac km life

#### SecuraDrive\*



Secure grip even at high speed for passenger car

#### CZAR HP\*



Superior control at high speed for utility vehicles

#### Fuelsmartt



Low rolling resistance, allowing greater coverage using the same amount of fuel

#### Specifications

- Rigid tread blocks offering superior grip and better control

### Two- and Three-wheeler Tyres

#### Zoom Rad X1\*



High performance with comfort

#### Puncture-Safe



Resistance to puncture

#### Milaze



Superior life

#### Gripp



Superior grip

#### Specifications

- Superior road grip and safe riding experience

### Truck-Bus Tyres

#### HCL Super



Good mileage and load-ability at an affordable price

#### Mile-XL Rib Pro



Higher mileage and longer life

#### Win Super-D



Better load-ability with longer life

#### Lug-XL



High load-ability and mileage

#### Specifications

- Enhanced treadwear and higher reliability for long hauls

\*New Launch

**Off-Highway Tyres (OHTs)**

**Minimax\***



Superior performance and trouble-free service

**Port XL Plus**



Highest tread depth and superior compound

**Floatmax FT\***



Higher footprint for superb floating characteristic

**Farmax R65**



Low compaction, high traction and high roadability

Manufactured by our subsidiary, CEAT Specialty Tyres Limited

**Farm Vehicle Tyres**

**Aayushmaan**



Good grip and overall high life

**Aayushmaan Plus**



Puncture protection, good grip and high overall life

**Specifications**

- Built for heavy farm vehicles

**Light Commercial Vehicle (LCV) Tyres**

**Buland Lug XL Pro**



Better loadability and durability

**Milaze**



High mileage and better loadability

**Specifications**

- Designed with stiffer and stronger sidewalls
- Gives high mileage and high loadability

**Last Mile Tyres**

**Buland Mile XL**



Enhanced mileage and high loadability

**Milaze**



Better mileage and loadability

**Buland Mile XL Rib**



Better loadability and longer life

**Buland Mile XL SL**



Good grip and better loadability

**Specifications**

- Designed to give high mileage and high loadability

\*New Launch

# SMART ASSOCIATIONS

## Association with sports

CEAT continues to develop smart associations with sportspersons and its partners and associates.



### Official Strategic Timeout Partner – Indian Premium League (IPL)

CEAT has renewed its association with IPL and will continue to be the official strategic timeout partner for the next 5 years.

**CEAT's passion for cricket is well known and it continued to build its association with the sport through the year. CEAT is involved in the following cricket associations**



CEAT signed bat endorsement deals with Rohit Sharma, Ajinkya Rahane and Ishan Kishan.



Harmanpreet Kaur, Vice-Captain of the Indian women's cricket team, became the first woman cricketer to sign a bat endorsement deal with CEAT.



Shubman Gill, Man of the Series in the U-19 World Cup, has also inked an endorsement contract with CEAT.



CEAT felicitated R Ashwin as International Cricketer of the Year, along with other players at the CEAT Cricket Rating Awards ceremony held in Mumbai.



This year, CEAT is the official title partner of Mahindra Adventure, India's first off-roading adventure event.

### CEAT Ultimate Table Tennis (UTT)



CEAT associated with India's first-ever professional Table Tennis League and became its title sponsor. The league was called 'CEAT UTT'.

## Association with leading OEMs and digital platforms



### Association with leading passenger car OEMs

#### New vehicles launched

CEAT was one of the suppliers for newly launched vehicles like Dost Plus (Ashok Leyland), E Alfa (Mahindra), Grazia (Honda), New Platina (Bajaj) and New Verna (Hyundai).

### Nominated as First Source Development for Maruti Suzuki

CEAT's capabilities to deliver on all stringent parameters of quality, quantity, capability, relationship and delivery led to CEAT being nominated as first source for development of tyres for Maruti Suzuki's 2 projects.

### Upgradation by Renault

CEAT has been upgraded to Rank 'B' as per Alliance Supplier Evaluation Standard (ASES), which is being used by Renault for evaluation of supplier's QMS before allotting business.

CEAT was included in Nissan Panel's Global Platform listing for global supply.

CEAT received Request for Quotation (RFQ) from European, American, French and Japanese OEMs, a validation of CEAT's capabilities and practices of highest standards.

CEAT was selected amongst various suppliers for Truck Business of Mahindra & Mahindra.

### Association with e-commerce platforms

This year, CEAT expanded its reach by going online. CEAT tyres are now available on online retail platforms – Amazon and other e-retailers – providing the convenience of research and shopping for its internet-savvy customers from the comfort of their homes.

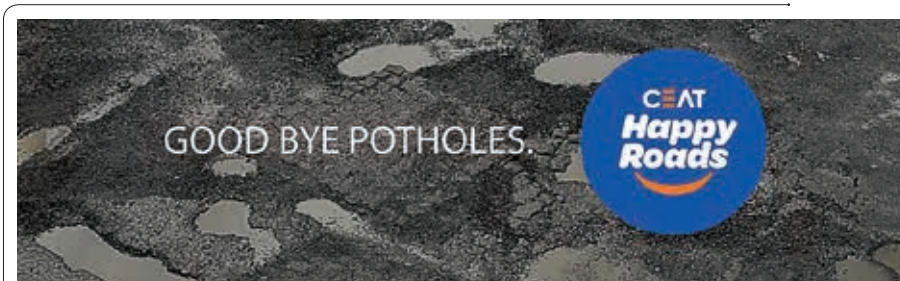
CEAT is constantly striving to augment its service innovation profile for its clientele and upgrade its services. CEAT's latest investment in the online tyre retailer segment has helped CEAT to add doorstep fitting as an add-on to its existing range of customer-friendly services.

## CEAT Happy Roads - an eco-friendly initiative

One of the most common problems Mumbaiers face on the roads, especially during the monsoon season is potholes. Hence, with an objective to make roads and mobility safer, CEAT, with the

support of Mumbai Metropolitan Region Development Authority (MMRDA), had undertaken an eco-friendly initiative, 'CEAT Happy Roads' to repair potholes in Mumbai by recycling old and worn-

out tyres. Considering the growing effectiveness of messages driven by digital campaigns, CEAT has adopted a unique approach to launch this initiative with a video on digital media.



With this initiative, CEAT encouraged vehicle owners to donate their old tyres, which can be further recycled and used to prepare suitable pothole filling mixture. To undertake this process, CEAT prepared a fine quality of rubber crumb from used tyres, which was mixed with bitumen to improve its binding properties. The bitumen mixture was then utilised to fill potholes across various areas.

# COVETED AWARDS

## Putting us in the Spotlight

CEAT was conferred with the Deming Prize in 2017. This is one of the oldest and most prestigious quality awards in the world, recognising companies that achieve business transformation by implementing Total Quality Management (TQM). CEAT is the world's first tyre company, outside Japan, to receive the prestigious Deming Prize.



### ‘CEAT wins the Deming Prize - the gold standard for Quality’

Deming Prize is a significant milestone and testimony to CEAT's journey of quality and customer-centricity. This journey has been a very fulfilling journey for CEAT. CEAT's capability as an organization has improved and its employees are far more motivated today and are proud to be a part of CEAT. It is a moment of the pride for each individual in CEAT as well as its business partners.

The Deming Prize is a global quality award that recognizes organisations for their successful implementation of TQM. It is the oldest and most widely recognised quality award in the world.

CEAT has been practising TQM since the early 2000s, which was when the Company initiated several quality activities – quality circles, ISO/TS certification, quality improvements programs etc.

In 2009, the management decided to adopt a new way of thinking, executing and managing known as Quality Based Management (QBM) (TQM in CEAT is called QBM) In 2015, CEAT conducted a TQM diagnosis along with the Japanese Union of Scientists and Engineers (JUSE) team; that gave CEAT the status of its TQM implementation and helped it to uncover a lot of areas that required improvement.



During this journey of excellence, CEAT has put in place some fundamental approaches such as “Policy Management”, “Daily Management” and “Cross functional Management” which help us to improve performance across business verticals.

CEAT was selected as a winner for ‘The Deming Prize 2017’ after a thorough examination by JUSE, which included submission of a detailed ‘Description of TQM Practices’ document, followed by a comprehensive on-site verification process across different CEAT sites, including head office, manufacturing units and R&D.



At CEAT, all activities and processes are geared towards enhancing customer satisfaction and CEAT is working hard to enhance these processes further. Quality is also reflected in living its ‘Purpose’ which is ‘Making Mobility Safer and Smarter. Everyday’. The journey continues, every day. CEAT is experiencing a paradigm shift in its thinking from crises management to vision driven, on both operational as well as strategic front.

CEAT want to leverage this shift and enthusiasm generated towards further deepening of TQM adoption and implementation. Going forward, CEAT will widen the scope of TQM implementation to its subsidiaries, joint ventures and other business partners.



- CEAT won the best ad film award for the ‘Haath Dikhao’ TVC under the ‘Auto Others Category’ at the prestigious IAA INDIA Awards 2017
- Digixx 2018 Gold Award for innovatively converting the ‘Mr. Nehlau’ TVC into an interesting learning assignment for ‘Hello English’



- Digixx 2018 Silver Award for the CEAT Tyres ‘Hello English’ campaign in Mobile and App marketing – Consumer Brands category
- Global Digital Marketing Gold Award for innovatively gamifying the ‘Haath Dikhao’ TVC for seamless gaming experience for the online gaming community

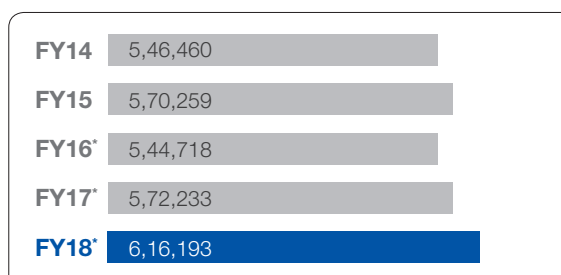


- CEAT became Great Place to Work certified in February 2018
- The Halol plant received the Model Company Award in the 16th ABK AOTS for strong top management leadership and total employee involvement exhibited by the Company in the 5S journey to reach Model Level status



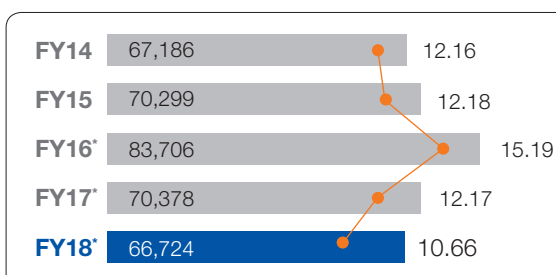
# KEY PERFORMANCE INDICATORS (CONSOLIDATED)

## Net Sales



■ Net Sales (₹ in lacs)

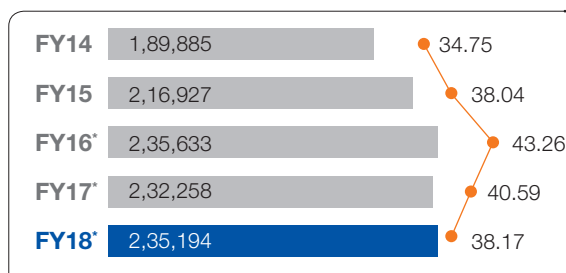
## EBITDA



■ EBITDA (₹ in lacs)

—● EBITDA (%)

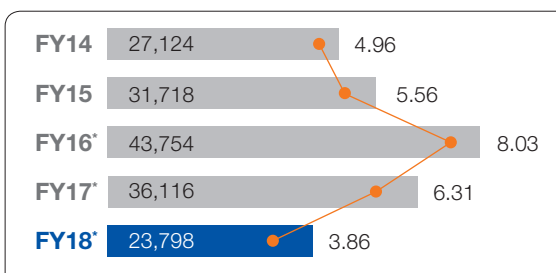
## Gross Margin



■ Gross Margin (₹ in lacs)

—● Gross Margin (%)

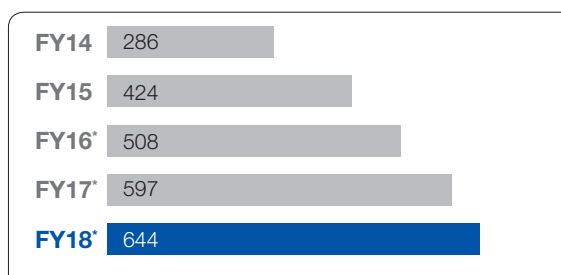
## PAT



■ PAT (₹ in lacs)

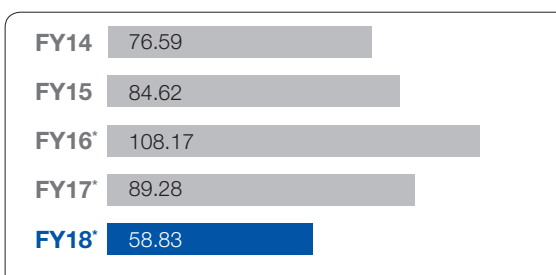
—● PAT (%)

## Book Value per share



■ Book Value (₹ per share)

## Earnings per share



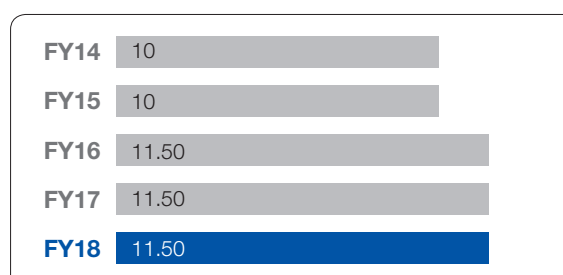
■ Earnings (₹ per share)

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

1 EBITDA includes Non-Operating income.

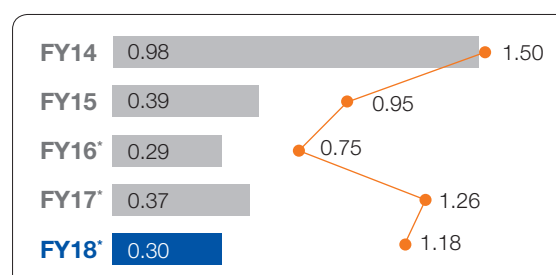
2 PAT is considered after minority interest

## Dividend per share



■ Dividend (₹ per share)

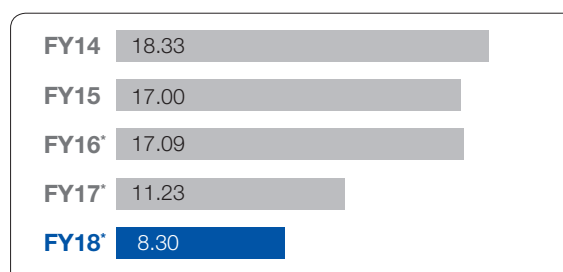
## Net Debt/Equity and Net Debt to EBITDA



■ Net Debt/Equity

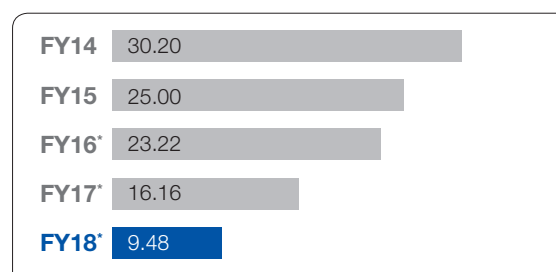
—● Net Debt/EBITDA

## ROCE



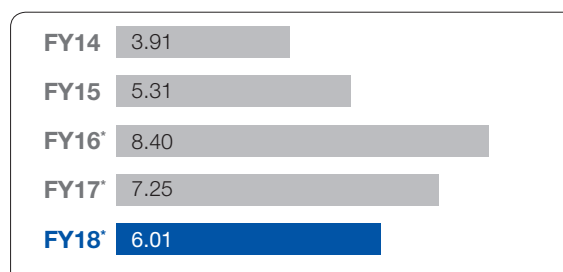
■ ROCE (%)

## ROE



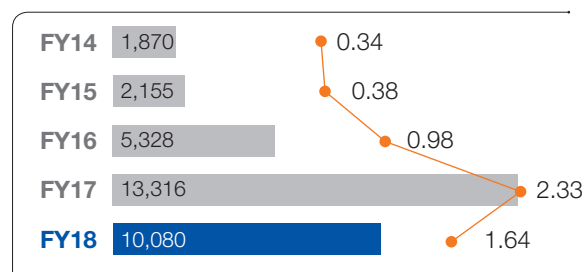
■ ROE (%)

## EBITDA/Interest



■ EBITDA/Interest

## R&D Expenditure/Net Sales



■ R&D Expenditure (₹ in lacs)

—● R&D Expenditure/Net Sales (%)

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

3 Interest includes interest capitalised during the year

4 Average capital employed considered for ROCE

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

# SMART CAMPAIGNS



## Safety campaigns

The sole objective of CEAT's campaigns is to provide road safety solutions. All its campaigns - from CEAT Breath Analyzer to CEAT Bobblehead and CEAT Safety Grip - focus on empowering commuters with innovative solutions for safer mobility on road. CEAT aim to establish an emotional connect with its customers through its various campaigns.

- **CEAT Safety Grip**

In line with CEAT's purpose of 'Making Mobility Safer and Smarter. Everyday', CEAT has launched an innovative product to empower women safety. 'CEAT Safety Grip' as it is called, is a customised scooter handle grip that seamlessly conceals a pepper spray in the accelerator throttle for quick and easy access at a time of distress. CEAT has filed a design application patent for this innovative product.



- **'Drive Safe Dad' campaign at Road Safety Week 2018**

CEAT presented its 'Drive Safe Dad' campaign at Road Safety Week in January 2018. This ad campaign is designed with an emotional quotient to alert fathers to avoid speeding because their life is precious to their children.

## CEAT launched the following campaigns in FY 2017-18



- **Haath Dikhaao Campaign**

CEAT car tyres' won the best ad film award under the Auto Others Category at the prestigious IAA INDIA Awards 2017.



- **Milaze X3 - The 1 lac km tyre**

CEAT recently rolled out a 360 degree campaign for its long lasting range of Milaze X3 tyres. These tyres last up to 1 lac km and beyond, and thereby eliminating the need for frequent tyre changes. Customers have long been desiring a tyre that can last long and perform equally well and Milaze X3 stands exceedingly well on both these parameters. The ad campaign was on TV, print, outdoor media and across the major cities of India.



- **TVC NEHLAU**

This ad campaign stresses on the risks bikers are exposed to when large vehicles moving past them and splash them with water. This can often cause slippage or an accident. With this ad, CEAT announced the launch of its monsoon smart range of tyres that could save bikers from potential fatal injuries.

- **Industry's first digital advertising series**

In a first-of-its-kind digital advertising campaign, CEAT launched a series of ads for Fuelsmart tyres to develop instant consumer-connect and ignite curiosity around the new product. The advertising campaign received more than 3 mn views and the video trended at No. 4 on YouTube.

- **New CEAT Farm Tyres TVC**

CEAT has launched new TVC 'Tarakki Pe Pakkad' across Punjab exclusively targeting the farmers in the first phase. The TVC addresses the issue of slippage faced by a farmer in the field due to use of low non-skid depth tyres. To overcome this challenge and ensure stronger tyre grip on rugged farm fields, CEAT TVC talks about Ayushmaan range of tyres that has deeper lugs compared to its peers.

# BUILDING A **SAFE** **MOBILITY** ECOSYSTEM



Safety lies at the centre of our ethos and we are committed to creating a safe mobility ecosystem. We have added value to safe on- and off-road mobility by continuously innovating with technologically advanced products. Simultaneously, we are improving our technical capabilities to strengthen our safety measures across our plants and research centres. Our goal is to spread awareness about the importance of safe driving through our numerous television and digital campaigns.

## Safety in Our Plants

We aim for 'zero accidents' at all our plants and manufacturing sites. To ensure that all our employees are safe while on site, we have adopted the British Safety Council's (BSC's) Five Star Occupational Health and Safety Management System as a benchmark. We have equipped all our plants and manufacturing sites with the latest safety measures and are OHSAS 18001 standard certified.

Our Nagpur plant received a Five Star Certification for Occupational Health & Safety Management System in 2018 and the Halol plant received the 'Sword of Honour' award from the BSC Certificate in 2016.

All our manufacturing plants are ISO 14001:2015 (Environment Management System) certified.

Steam vent silencers have been installed at the Bhandup plant to reduce noise pollution from the premises. Since installation, the facility recorded a reduction in noise levels from 110 dB to 83 dB.



## Products that ensure Safety



### CEAT Puncture-Safe Tyres

These innovative tyres come with puncture resistant technology to ensure that customers enjoy a hassle-free and safe ride without the fear of punctures, which are the most common cause of two-wheeler accidents in India.



### Zoom Rad X1

These tyres are for bikes in the 200cc to 400cc segment that come with a high-speed rating, which means they are designed to work for speeds up to 210 kmph. Made from soft compound rubber, these tyres of radial construction provide high grip levels, enhancing a motorcycle's cornering abilities.

### CEAT Aayushmaan Plus Tyres

Aayushmaan Plus tyres have puncture pad, which work as an internal protective shield saving time wasted due tyre puncture, leading to improved productivity on the farm. In addition to puncture pad, Aayushmaan Plus tyres have deeper grooves, which increase life of the tyre and improve grip on the soil. Sturdy shoulder design increases loadability of the tyre.

## Investing in technology to redefine safety

We have been continuously upgrading our technology and our Research and Development (R&D) Centre to ensure that we manufacture products, which are safe to use. We have invested heavily in scaling our technical capabilities across our R&D centres, plants and manufacturing units to develop breakthrough products.

We spent approximately 2.3% of net sales in FY 2016-17 on R&D and we were among the top 15 global tyre brands in terms of R&D expenditure as percentage

of net sales. R&D expenditure in FY 2017-18 was 1.64% of net sales.

We built partnerships with institutes of global repute to augment our competency and capability, in addition to offering superior products with better fuel efficiency, grip and durability. We also initiated our European Technical Centre in Frankfurt, Germany to meet the stringent regulations and challenging requirements of the global tyre market.



## Highlights of our R&D endeavours

- To deliver safety by introducing advanced technology offering better grip and control without compromising tyre life
- Judiciously using resources and optimising tyres by fulfilling our responsibility towards the environment
- Creating sustainability through eco-friendly products

# IT TAKES A TYRE TO RULE THE ROAD.

CEAT Czar HP gives Superior Control at High Speed.



**CEAT** it helps  
CZAR HP



# FACILITATING **SMART** MOBILITY

Our constant endeavour has been to create a robust ecosystem, supported by smart technology and innovation backed by smart processes. Our continuous investment in strengthening our capabilities across our facilities, processes, products and associations has paved the way for us to become a smart and future-ready organisation.

## Smart, Sustainable Processes



We are the first tyre company in the world, outside Japan, to receive the Deming Prize. This prestigious award testifies the strength of Total Quality Management (TQM) implementation in CEAT, while reinforcing, our reputation as high-quality producers of tyres across vehicle segments. The Deming assessment testifies that we are living and demonstrating the CAIRO values, which are the underlying strength of our organisation.



We are also a 'Great Place to Work' certified company. It re-establishes the focus on our strong people practices. We follow a culture of inclusion, empowerment and development for employees. Further, we are introducing equal opportunities for women, thereby working towards building gender sensitivity across our manufacturing locations.

Emphasising focus on customer centricity we were ranked No. 1 in India for customer satisfaction in passenger car and utility vehicle tyre segments according to the J. D. Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI) study.



## Smart Plants



Our plants and manufacturing units are well equipped with simulation technology for predictive testing. This technology enables us to understand our products better, thus enhancing our capability of producing future-ready tyres. In addition to our state-of-the-art smart plant at Nagpur, our new plant at Ambar Nath is also being digitalised to improve operational efficiency. Our greenfield passenger car tyre plant will further add to our capabilities of producing and delivering quality products.

## Smart Distribution Model



We have an innovative delivery network comprising distributors, sub-dealers, exclusive outlets and multi-brand model retailers spread across India. Our network reaches 600+ districts, gives us a competitive edge over other companies in the market. We have also reached out to 100+ international markets through our smart distribution processes, global reach and state-of-the-art R&D centres. Moreover, this year, we partnered with Amazon and other e-retailers to sell our products online.

# COMMITMENT TO SUSTAIN- ABILITY

At CEAT, we are committed to creating a sustainable future that is process-driven and strong on culture and values. Through technology and innovation, we have introduced sustainable practices that have transformed the industry.



**Our 'green' practices have enabled growth and progress not only for us, but also for all those associated with us physically and remotely. Our motto has been to provide great on-road experiences while ensuring the safety of our consumers and we have been successful in our endeavour of creating a supportive ecosystem.**

CEAT has undertaken the following measures to create a sustainable ecosystem:

- At CEAT, we function on the principle of 'pollution prevention instead of control' and follow a proactive, systematic approach to identify hazards and risks.
- We aim to achieve 'zero occupational illness cases'. We engage in cross-functional efforts to reduce occupational health hazards, including arranging health wellbeing programmes and camps across all plants to create health awareness among employees.
- We follow the environment protection principle of 'reduce, reuse and recycle' and have adopted several measures and methods to maintain ecological balance around our production facilities. Our Halol, Nashik and Nagpur plants are 'Zero Liquid Discharge' plants, which means minimum freshwater gets consumed by them.
- We are conscious about the waste that gets generated from our facilities and have incorporated projects that help in reducing hazardous waste generation. Implementation of energy conservation projects through solar energy, installation of steam turbines and use of cleaner fuels such as piped natural gas have significantly reduced Greenhouse Gas (GHG) emissions.

**DRIVEN FOR A GREENER TOMORROW.**

Presenting CEAT ECO that reduces fuel consumption and carbon footprints.

Functionalized compounding & optimized ply line for low rolling resistance.

**CEAT**  
SUPERIOR GRIP

# CORPORATE SOCIAL RESPON- SIBILITY

CEAT's social initiatives empower society and provide a holistic growth platform. These initiatives are closely tied to the organisation's purpose of making mobility safer and smarter.



All CSR initiatives at CEAT are undertaken through the RPG Foundation, a public charitable trust that operates in accordance with Schedule VII of the Companies Act, 2013. CEAT with a vision to drive 'holistic empowerment' of the community, has carried out several CSR initiatives this year.

### Road Smartt

In line with its motto of safety, CEAT 'Road Smartt' to generate awareness about road safety and promote values for responsible behaviour among young children and commercial drivers. The project that ran for a year (started in FY 2016-17 and completed in FY 2017-18) targeted school children and their parents to ensure that children, who are the future drivers and travellers, understand the importance of road safety. The Company conducted sessions in 312 schools in more than 15 cities, covering over 1.27 lac children. The Company also provided defensive driving courses to 1,000 drivers to enable them to identify safety hazards on roads.

### Swayam

Swayam 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 livelihoods across the transport sector. The training opens up multiple avenue of job opportunities in taxi services, entrepreneurial ventures, E-autorickshaws, as two-wheeler delivery executives, etc. The Company implemented the programme across Mumbai, Nagpur, Chennai, Delhi, Indore, Bhopal and Jaipur, training 645 women in driving four-wheelers and 303 women in riding two-wheelers.



### Netranjali

CEAT ensures people with meagre means, especially truckers who drive for long hours and distances, undergo regular eye-tests to prevent avoidable blindness and other critical eye-related ailments. At Netranjali camps, comprehensive eye check-ups are organised ensuring promotive, preventive, rehabilitative and curative eye care. CEAT also provides free spectacles and hospital referrals for severe cases like cataract, etc. During the year FY 2017-18, the project screened 1,45,744 people through 1,540 eye camps and 249 days of vision centre. CEAT distributed over 74,498 spectacles and made 10,768 referrals for severe cases.

### Alternate livelihood earning opportunities

CEAT ran two major initiatives, Project Saksham and Project Sanjeevani, to provide skill development opportunities to the underprivileged. These projects focus on alternate livelihoods training modules and offer technical training to the youth:

- **Saksham**

During the year 2017-18, 170 less-privileged women and youth were trained in two-wheeler repairing, mobile repairing, motor rewinding and beauty advisor sectors. Under the programme 50 women were trained to prepare nutritious snacks to be provided to 1,200 children in Halol.

- **Sanjeevani**

The project trained 250 less-privileged women and youth in Bed Side Assistant/Patient Care assistant programme as an alternate livelihood option in the communities around the Company's plants. The Company, along with the RPG Group of Companies (which has facilities in Gujarat), trained additionally 50 candidates in the Halol location.

### Jeevan

Jeevan is about the importance of living a respectful life with basic amenities. Project Jeevan aims to improve the living conditions of communities in and around the plants by offering clean drinking water, sanitation, health and nutrition and



education, among other basic amenities, on a daily basis.

Through the project, 50 sessions on adolescent health were conducted covering 500 children. 1,200 children in schools were provided highly nutritious snacks before the mid-day meal as a proactive effort to reduce malnourishment in the Panchmahal district in Gujarat.

### Pehlay Akshar

Pehlay Akshar Schooling is an education initiative focusing on enhancing functional English skills to students to enhance employability opportunities. During the year, the initiative reached out to 3,000 students across 20 schools in Mumbai, Halol and Nashik.

The Pehlay Akshar School Enrichment Programme (Training aims at transforming public education by helping teachers to develop 'magic classrooms' where children feel secure and are encouraged to continue learning. During the year under review, 989 teachers were trained impacting over 60,000 students across all locations throughout the year. The programme also conducted weekly follow-ups for all the teachers post training.



# BOARD OF DIRECTORS



**H. V. Goenka**

Chairman, Non-Executive,  
Non-Independent Director



**Anant Vardhan Goenka**

Managing Director



**Haigreve Khaitan**

Independent Director



**Hari L. Mundra**

Non-Independent Director



**Pierre E. Cohade**

Non-Independent Director



**Punita Lal**

Independent Director



**Arnab Banerjee**  
Executive Director – Operations



**Atul C. Choksey**  
Independent Director



**Mahesh S. Gupta**  
Independent Director



**Paras K. Chowdhary**  
Independent Director



**Ranjit V. Pandit**  
Independent Director



**S. Doreswamy**  
Independent Director



**Vinay Bansal**  
Independent Director



# 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

Pierre E. Cohade

Punita Lal

Ranjit V. Pandit

S. Doreswamy

Vinay Bansal

## 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 - 400 011

## Debenture Trustee

Axis Trustee Services Limited

Axis House, Ground Floor,

Bombay Dyeing Mills Compound,

Pandurang Budhkar Marg,

Worli, Mumbai - 400 025

## 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 441 108.

## Bankers

Bank of India

Bank of Baroda

State Bank of India

ICICI Bank Limited

IDBI Bank Limited

Yes Bank Limited

Axis Bank Limited

The Hongkong and Shanghai Banking Corporation Limited (HSBC)

Standard Chartered Bank

Kotak Mahindra Bank Limited

# **SUPERIOR GRIP FOR EVERY TRIP.**

**PRESENTING SECURADrive,  
SECURE GRIP EVEN AT HIGH SPEED**



**CEAT** it helps

**SECURADrive  
CAR TYRES**

# MANAGEMENT DISCUSSION AND ANALYSIS

## About CEAT Limited

Established in 1958, CEAT Limited is the flagship company of RPG Group. It is one of the largest tyre manufacturer in India in revenue and produces over 33 mn tyres a year. The Company produces best-in-class high-performance tyres for a wide range of vehicles. CEAT's product portfolio spans across the automotive spectrum, with tyres for Two-Three Wheelers, Passenger Car & Utility Vehicles (PC/UV), Trucks and Buses (T&B) and Off-the-road Vehicles. The Company has a strong presence in global markets, selling its products in over 100 countries and offers a wide range of tyres in all segments. The Replacement, Original Equipment Manufacturing (OEM) and Export segments account for 61%, 27% and 12% of revenue, respectively.

## Global economy

2017 was characterised by recovery in economic activity reinforced by private consumption and investments, as well as a major uptick in global trade. After crises in emerging markets and a dip in energy-related business investment in the US (which had controlled demand in 2015 and 2016), growth returned to the US, Eurozone and Japan over the course of 2017.

The continuing renewal of pro-cyclical forces promises to be the chief driver of rise in demand in the western world in 2018. As companies raise investment, a solid labour market and recent gains in incomes will boost consumption across most of the developed world, which can look forward to growth at least in line with the underlying movements.

## Global GDP Growth

Particulars	Projections (%)			
	2016	2017	2018	2019
World Output	3.2	3.7	3.9	3.9
Advanced Economies	1.7	2.3	2.3	2.2
United States (US)	1.5	2.3	2.7	2.5
Eurozone	1.8	2.4	2.2	2.0
Japan	0.9	1.8	1.2	0.9
United Kingdom (UK)	1.9	1.7	1.5	1.5
Other Advanced Economies*	2.3	2.7	2.6	2.6
Emerging Market and Developing Economies	4.4	4.7	4.9	5.0
China	6.7	6.8	6.6	6.4

\*Excludes the G7 (Canada, France, Germany, Italy, Japan, UK and US) and Euro area countries.

Source: International Monetary Fund (IMF)

**US:** The US economy benefited from implementation of tax reforms (lower corporate tax rates, allowing full expensing of investment etc.), robust activity and favorable monetary policies in 2017. Consequently, the US Gross Domestic Product (GDP) grew 2.3% in 2017 which is a 80 basis points improvement over 2016. The growth rate is expected to rise to 2.7% in 2018 as demand essentials remain positive, including robust job growth,



rising incomes, low borrowing costs and simplification in bank lending standards for residential mortgages. US industrial activity continues to strengthen and expand out, pointing to an increasingly self-sustaining economic expansion.

**Eurozone:** The European Union (EU) recorded 2.3% annual GDP growth in 2017, the highest growth rate seen in the past 10 years. Central bank support, a stronger global economy and structural reforms in product and labour markets executed in individual eurozone economies have aided in fuelling growth, productivity and competitiveness in the region. The year marks the first time in a decade when all EU countries have grown cumulatively at the end of the financial year. This is also the first time since 2006 when no country had a reduction in quarterly GDP during the year.

**Japan:** The Japanese economy grew by 1.6% in 2017 primarily driven by an upward revision in key business areas. The growth was driven most of all by investment and private consumption. The country will continue to benefit from strong growth in exports, while gains in consumption and gross fixed capital formation will boost domestic demand, employment and wage gains will continue to reinforce economic growth. The Bank of Japan (BoJ) expects the economy to expand between 1.3% and 1.5% in the fiscal year 2018.



**United Kingdom (UK):** The GDP growth at the end of last year slightly altered the view of the latest economic developments in the UK. Year-on-year, however, GDP growth is anticipated to remain unchanged at 1.4%. This was due mainly to lower growth in household consumption and flat corporate investment. UK's GDP growth should be on an upward trajectory during 2018, largely retreating the slowdown recorded over the course of 2017. Consumer spending aside, Brexit is likely to continue to cast a shadow over some aspects of growth in the UK.

**China:** Growth in China is estimated at 6.8% in 2017, moderating to 6.5% in 2018. The stronger-than-expected growth in 2017 was credited to the implementation of policy stimulus measures, including higher infrastructure spending. Private consumption is expected to continue to remain the main driver of growth supported by rising wages and steady job creation.

### Outlook

Global economic growth should remain strong in 2018 as both advanced and emerging economies enjoy a harmonised upturn. Corporate capital expenditure is likely to become a more prominent growth driver. While inflation is unlikely to rise significantly, central banks will reduce liquidity and raise interest rates in response to

better growth. Strong and integrated global growth momentum, easier fiscal policies and steady credit growth coupled with clear monetary policy and upbeat financial market conditions should continue to drive up the world economy.

### STRONG AND INTEGRATED GLOBAL GROWTH MOMENTUM, EASIER FISCAL POLICIES AND STEADY CREDIT GROWTH COUPLED WITH CLEAR MONETARY POLICY AND UPBEAT FINANCIAL MARKET CONDITIONS SHOULD CONTINUE TO DRIVE UP THE WORLD ECONOMY.

#### Indian economy

India's economy grew at 7.7%, its fastest in seven quarters in the January-March 2018 period, bolstered by strong performance in construction, manufacturing and public services. India's GDP increased at the rate of 6.7% in FY 2017-18 and is expected to grow by 7.3% in FY 2018-19. The manufacturing sector is estimated to grow by 4.6% in FY 2017-18 compared to a growth of 7.9% in FY 2016-17 due to muted demand growth. India also regained the label of the fastest growing major economy in the third quarter.

#### Quarterly GDP figures 2017-18 (%)



Source: Central Statistics Office (CSO)

#### Key statistics

**Current account deficit:** India's current account deficit in the balance of payments widened to \$13.5 bn (or 2% of GDP) in the quarter ended December 2017, up from \$8 bn (or 1.4% of GDP) in the quarter ended December 2016. The main reason for the widening of the current account deficit is higher trade deficit of \$44.1 bn because of a significant increase in merchandise imports, mainly crude oil and other petroleum product imports, which account for more than 40% of India's overall merchandise import bill.

**Fiscal deficit:** India's fiscal deficit continued to exceed the Budgeted Estimate (BE) target, as it reached ₹ 6,765.59 bn between April 2017 and January 2018. The fiscal deficit has been projected at 3.3% of GDP for the FY 2018-19, higher than the fiscal consolidation target of 3%.

# Management Discussion and Analysis

**Inflation:** The index of consumer price inflation stood at 4.28% in March 2018, slowing for the third straight month from a 17-month high, supported by stable price components, particularly from food and beverages.

**Index of Industrial Production (IIP):** The cumulative industrial production growth for FY 2017-18 over FY 2016-17 stood at 4.3%. During FY 2017-18, the manufacturing sector recorded a growth of 4.5%, marginally up from 4.4% in FY 2016-17.

Source: CRISIL Research

## Outlook

Going ahead, positive indicators such as moderate level of inflation, expected growth of the industrial sector, anticipation of greater stability post the Good and Service Tax (GST) regime, recovery in investment levels and continuing structural reforms could push India's economy to grow at an accelerated pace. Also, the expected growth in the global economy in 2018 could provide an impetus to India's exports. The country will reverse 2 years of declining growth to clock a 7.3% rise in GDP in FY 2018-19 and further accelerate to 7.6% in FY 2019-20.

Over the medium-term, GST is expected to benefit economic activity and fiscal sustainability as it will reduce the cost of fulfilling several state tax systems, drawing informal activity into the formal sector and escalating the tax base.

According to the Boston Consulting Group, India is expected to be the third largest consumer economy by 2025 as its consumption may triple to \$4,000 bn, owing to a shift in consumer behaviour and expenditure pattern. India's GDP is expected to reach \$6,000 bn by 2027 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics and reforms. According to PriceWaterhouseCoopers (PwC), the Indian economy is estimated to surpass the US to become the second largest economy in terms of Purchasing Power Parity (PPP) by 2040.

India is also focusing on renewable sources to generate energy. It plans to achieve 40% of its energy from non-fossil sources by 2030, which is currently 30%, and plans to increase its renewable energy capacity from 57GW to 175GW by 2022.

**GOING AHEAD, POSITIVE INDICATORS SUCH AS MODERATE LEVEL OF INFLATION, EXPECTED GROWTH OF THE INDUSTRIAL SECTOR, ANTICIPATION OF GREATER STABILITY POST THE GST REGIME, RECOVERY IN INVESTMENT LEVELS AND CONTINUING STRUCTURAL REFORMS COULD PUSH INDIA'S ECONOMY TO GROW AT AN ACCELERATED PACE.**

## Global tyre industry

Tyres are an important constituent of the automobile industry. The production and sale of vehicles directly affect the dynamics of the tyre industry. Factors like rising population, urbanisation, lifestyle changes and increase in disposable incomes, the purchasing capacity of consumers worldwide has increased significantly. This has pushed the demand of automobiles, which, in turn, is driving the growth of the global tyre market.

According to Smithers Rapra research (2017), the worldwide demand for tyres is expected to reach over 2.2 bn units by 2017, with volume growth expected to continue at a compound annual growth rate (CAGR) of 3.4% in next 5 years. The growth is motivated by a strong economic upswing, vehicle production and replacement demand from a wide variety of end users globally.



## Chinese tyre market



The Chinese automotive industry has grown at an incredible pace and has propelled the development of the country's tyre industry, both in terms of production as well as consumption. China is the largest producer of tyres in the world, followed by the US and Japan. According to IBIS World, revenue of the tyre manufacturing industry in China is expected to total \$95.6 bn in 2017, up by 3% for the year. Over the 5 years through 2017, revenue has been growing at an average annualised rate of 4.2%. The expansion of China's automobile manufacturing industry has been a major driver of tyre demand. With increased automobile ownership in China, demand for tyres for new cars and replacement tyres for prevailing vehicles has seen steady growth. Road construction and rise in road transportation have also contributed to higher demand for tyres. Going ahead, the country will face challenges of capacity utilisation on the back of Anti-Dumping Duty enforced in India, US, Europe etc.

**WITH INCREASED AUTOMOBILE OWNERSHIP IN CHINA, DEMAND FOR TYRES FOR NEW CARS AND REPLACEMENT TYRES FOR PREVAILING VEHICLES HAS SEEN STEADY GROWTH.**



### African tyre market



The African continent has developed into one of the fastest growing markets for the global tyre industry. The rapid growth of the middle-class in many African countries has accelerated the demand for automobiles to an all-time high. This increasing demand, in turn, has facilitated in creating a growing market for all kinds of tyres, including Passenger Car tyres; Off-the-road tyres; Industrial tyres; Agricultural tyres; Truck, Bus and Trailer tyres as well as Motorcycle and Bicycle tyres. According to Tyrexpo Africa, the Africa tyre market is expected to surpass \$8 bn by 2022.

Africa is a price-sensitive market and consumers favour low-priced Chinese tyres than expensive European and American brands. Therefore, China has developed as a leading exporter of tyres to many African countries in recent times.



### US tyre market



According to the Rubber Manufacturers Association (RMA) forecast, demand for tyres in 2017 will plateau at the 2016 levels, forecasting a cumulative growth of 0.4% in car and light and medium truck/bus tyre segments. Despite a strong downstream demand, the US tyre manufacturing industry has weakened moderately over the years largely due to the appreciating US dollar, falling global rubber prices and rise in foreign competition.



### European tyre market



According to the European Tyre & Rubber Manufacturers' Association, tyre sales in Europe remained flat in 2017 with a robust increase in OEM truck tyre sales but a sudden fall in replacement agriculture tyre sales.



OEM truck tyre sales increased by 7.4% to 6.09 mn units. This contrasts with a 0.3% dip in replacement truck tyre sales, down to 9.73 mn units. Replacement consumer tyre sales fell by 0.9% to 204.8 mn units, while OEM consumer tyre sales increased by 0.7% to 86.8 mn units. Shipments of summer consumer tyres dropped by 3.6% to 112.1 mn units, while sale of winter car tyres rose by 1.5%, to nearly 57 mn units. China and India are increasingly importing tyres, with India importing almost 40% of agricultural tyres from Europe.

#### Outlook

According to the Smithers Rapra forecast, the total global tyre volume is likely to reach 2.7 bn units by 2022. The growth is motivated by a strong economic upturn and vehicle production and replacement demand from a wide variety of end users globally. Rapid advancements in technology and the growing demand for environmentally viable tyres have augmented the growth of the market. The drivers of growth are best seen in mature and traditionally technologically advanced markets (such as the US, Western Europe and Japan), but increasingly dominated by volume and innovation in emerging markets in Asia, primarily China. Premium and high-performance tyre growth in North America and Europe will remain a strong positive influence on global growth.

#### Indian tyre industry

India is one of the largest automobile markets in the world, which makes the country one of the leading markets for tyres. The tyre industry is directly affected by the performance of the automobile industry, which, in turn, depends on the overall economic growth. Further, the replacement segment is the largest demand segment of the industry.

# Management Discussion and Analysis



According to the Investment Information and Credit Rating Agency of India (ICRA), the domestic tyre industry is expected to see a volume growth of 7-8% to reach 180 mn tyres during 2018. This growth is despite the weak volumes during the first quarter and part of the second quarter during the GST rollout. In tonnage terms, tyre demand is estimated to grow by 7% during 2018, supported by a pick-up in Truck & Bus (T&B) replacement tyre demand after over 2 years of weak growth.

## Production

In the last few years, movement in tyre production and sales for the OEM market has been in line with the automobile sales for the period. Sales are expected to grow in the range of 10-11% during FY 2017-18. Both domestic and export demand for tyres is expected to remain robust on the back of strong growth prospects for auto OEMs as well as the stable replacement market.

## Production of Tyre (Lacs units)

2010-11	1,192
2011-12	1,254
2012-13	1,228
2013-14	1,289
2014-15	1,461
2015-16	1,520
2016-17 (Apr-Dec)	1,273

Source: ATMA, CMIE

## 180 mn tyres

Expected Indian tyre industry volume in 2018

## Key announcements

To create a level playing field for the domestic tyre industry, Government of India, in FY 2017-18 imposed the Anti-Dumping Duty (ADD) on Truck and Bus Radial (TBR) tyres from China and by increasing the customs duty on tyres to 15% (from 10%).

## Anti-dumping duty on Chinese tyres

The Government of India imposed Anti-Dumping Duty (ADD) for 5 years on import of certain types of TBR tyres to protect domestic manufacturers from below-cost shipments from China. The ADD has been imposed on tyres in the range of \$245.35 and \$452.33 per tonne. Anti-dumping steps are taken to ensure fair trade and provide a level playing field to the domestic industry.

ADD on Chinese tyres was applauded by domestic tyre manufacturers, but similar duties on carbon black from China is troubling the industry after their increased demand is not being met by the domestic producers. The Chinese tyre imports dropped by almost half after the Government imposed ADD in 2017. Since then, domestic tyre companies have been witnessing an increased demand and their capacity utilisation has also gone up. The demand got another boost with the implementation of the GST. However, the industry feels that capacity utilisation would have gone up by further 10-15% if there was no shortage for carbon black in the market.

## Impact of GST

The tyre industry has been supportive of all reform laws meant to promote business by bringing in transparency and operational efficiency. Since the GST is expected to achieve these objectives, the tyre industry has welcomed it. The tyre industry's fortunes are directly linked with economic growth. Higher growth will lead to more movement of goods and services and therefore, more demand for tyres. The GST has been intended to give a lift to the Indian economy and the tyre industry is a direct beneficiary of the tax reform.

## Exports

Following 27.5% growth in FY 2016-17, exports volume increased by 14.1% during the first half of FY 2017-18. In value terms, the growth in exports came a bit lower at 13.3%, as realisations remained moderate and the pricing was controlled by softened raw material prices. While overall tyre exports grew by 13% during 2017, the growth in exports to the top 10 countries was higher at 18%, aided by a steady demand in most of the regions, barring the UAE and Philippines.

Tyre exports are estimated to grow by 10% in 2018 and by 8-10% over the next 3 years led by steady demand and increased recognition of Indian tyres in the overseas markets, both in terms of quality and pricing. However, with Chinese tyres increasing their presence in the overseas markets, especially after the removal of ADD by the US on Chinese tyres in February 2017, competition from China will remain a key challenge.

### Imports

The TBR tyre imports to India have seen growth in 2016 and 2017 mainly due to the imposition of ADD on the Chinese tyres by the US in 2015 and removal of ADD on Chinese tyre imports to India in 2015. Having witnessed a declining trend during most part of the year, the total tyre imports went up in the last quarter of FY 2017-18 against year-ago period. However base effect is evident as demonetisation in November 2017 led to sharp contraction in import volumes in successive months. Total tyre import volumes during FY 2017-18 remained largely same as that of previous year. In September 2017, the Government of India imposed ADD on certain types of unused TBR tyres for a period of 5 years to protect the Indian tyre industry from the effects of cheap Chinese tyres. This, in turn, is likely to keep imports subdued going forward.

### Automobile industry performance

According to the Society of Indian Automobile Manufacturers (SIAM), the Indian automotive industry produced 29.08 mn vehicles in FY 2017-18 as against 25.33 mn vehicle in FY 2016-17, registering a growth of 14.78% in the period.

### Domestic volume growth trends across segments – FY 2017-18

	(mn units)		
	2017-18	2016-17	Change (%)
Passenger Vehicles	3.29	3.05	7.9%
Commercial Vehicles	0.86	0.71	19.9%
Two-Wheelers	20.19	17.59	14.8%
Three-Wheelers	0.64	0.51	24.2%
Tractors	0.71	0.58	22.1%

Source: SIAM

### Passenger vehicles

The sale of passenger vehicles grew by 7.89% in FY 2017-18 over FY 2016-17. Within passenger vehicles, passenger cars, utility vehicles and vans grew by 3.33%, 20.97% and 5.78%, respectively, in FY 2017-18 over FY 2016-17.

### Two-wheelers

Two-wheeler sales registered a growth at 14.80% in FY 2017-18 over FY 2016-17. Within the segment, scooters and motorcycles grew by 19.90% and 13.69%, respectively, while mopeds declined by 3.48% on year-on year basis in FY 2017-18 over FY 2016-17.



# 29.08 mn

Auto production (FY 2017-18)

### Commercial Vehicles

The overall commercial vehicles segment grew by 19.94% in FY 2017-18 compared to FY 2016-17. Medium & Heavy Commercial Vehicles (M&HCVs) grew by 12.48% and Light Commercial Vehicles (LCVs) grew by 25.42% in FY 2017-18 over FY 2016-17.

### Tractors

The growth of the domestic tractor industry continued to be robust, with the industry recording a growth of 22.3% in FY 2017-18. The primary reasons for strong tractor sales growth in India include 2 consecutive years of normal monsoons, better crop production, easy availability of credit to farmers and increasing use of tractors in non-agricultural sectors.

Going forward, the demand for the automobile industry is expected to remain optimistic owing to structural drivers such as pick-up in infrastructure activity, expected implementation of vehicle scrappage policy, increase in discretionary spending, lower interest rates and revival in rural demand.

### Raw material trends

#### Natural rubber

Natural rubber prices have averaged at ₹125-130 per kg during 2018, in line with 2017 levels. Owing to subdued demand, natural rubber consumption increased by only 1.9% during 2018 in comparison to a 5.7% rise in production levels. Globally, natural rubber prices continue to trade at a discount of 10%, averaging at ₹118 per kg during 2018. Slowing demand from China, US and Japan, coupled with higher output, have kept the global prices lower. Against a 4.5% y-o-y increase in production, the global natural rubber consumption increased by just 1.2% during the period of January-November 2017. According to ICRA, global natural rubber prices are expected to increase by over 15% and domestic natural rubber prices will trend in the range of ₹135-145 per kg in the first quarter of the current fiscal.



# Management Discussion and Analysis

## Price of natural rubber

(Rupees per 100 Kg)

Month/year		RSS 5	RSS 4	RSS 3	Latex (60% drc)		ISNR 20	SMR 20
		Domestic	International	Domestic	International	Domestic	International	
January	2017	13920	14666	17654	14968	18370	13683	14843
February	"	14929	15942	18451	16930	20372	14565	14804
March	"	14156	15024	15889	15935	18407	13183	13025
April	"	13939	14339	14625	15688	15885	12522	10701
May	"	12815	13073	14165	15595	15940	11916	9859
June	"	11971	12238	11627	15410	14623	11089	9228
July	"	13027	13300	11315	15290	13178	12495	9706
August	"	12571	13063	11775	13685	13747	11414	9783
September	"	13102	13424	11977	13993	14313	11743	10269
October	"	12767	13060	10889	13807	12772	11200	9414
November	"	12290	12587	10298	13788	12508	10689	9184
December	"	12794	13082	10455	15283	12633	11365	9309
January	2018	12285	12746	10755	14787	12937	11352	9602
February	"	12054	12413	10963	14385	12733	10993	9421

Source: Rubber Board of India

## Carbon black

Carbon black is an important supporting material and filler in rubber products, both in the tyre and non-tyre segments, constituting 25% of the product by weight. According to Automotive Tyre Manufacturers Association, the demand-supply gap for carbon black in the domestic market stood at 14% in the FY 2016-17. This gap has increased up to 20% in 2018.

The shortage of supply has deepened after an increase in demand from large established domestic tyre manufacturers post the increase of import duty on tyres to 15% from 10%. Further crackdown on polluting industries in China has impacted production of carbon black (a derivative from coal tar in China) along with Iron and Steel and Chemical Industries. During early part of the financial year, imports also were unviable to higher price / unavailability. Carbon black in the domestic market is priced at \$1050 a tonne, while global prices are at about \$1,200 a tonne. Currently, the carbon black demand, including that of tyre manufacturers, is at 12.85 lacs tonnes, while the country's manufacturing capacity is 9.5 lac tonnes. The unplanned cuts in tyre production arising from shortfall in carbon black availability would only lead to higher imports of finished tyres, discouraging value addition within the country.

## Key factors influencing the tyre industry

### Improved economic growth

India is among the fastest growing economies in the world despite the recent disruption due to demonetisation and the implementation of the GST. The Government of India has formulated various policies and provided several incentives to drive growth in infrastructure development, construction and the housing sector. The improved focus of the Government on these sectors is likely to drive demand for CV and construction

equipment vehicle tyres from both OEMs and the replacement market. Moreover, the Government is also working on improving farm income, which may create an opportunity for farm mechanisation, driving growth in agricultural tyres.

## Low penetration level of passenger cars to support tyre sales

The passenger car segment is the second largest contributor to the total tyre production in India, contributing ~23%. However, it is important to note that passenger car penetration level in India, which stand at 19 vehicles per 1,000 people, is low compared to other emerging and developed countries. Penetration in China stands at 76 per 1,000, UK at 455 per 1,000, Germany at 544 per 1,000, US at 360 per 1,000, Australia at 562 per 1,000, Mexico at 203 per 1,000, Brazil at 227 per 1,000 and Malaysia at 358 per 1,000. (Source: SIAM) Going ahead, the penetration level in India is expected to improve due to improved economic outlook, which will lead to an increase in household income. The evolution of a young and motivated middle-class in India is also likely to drive the passenger vehicle industry, which will fuel growth for the tyre industry.

## Steady growth in OEM sales to boost demand in the replacement market

The overall OEM sales have grown at a CAGR of 9.5% over the period of 2008-17, which indicates a high number of on-road vehicles in India. The demand from the replacement market is likely to remain robust and would be the key growth driver for the sector given the high base of vehicles running on the roads. Further, with improvement in infrastructure activity and the implementation of the GST, reducing logistics costs in the domestic market is expected to increase freight movement, leading to faster replacement of CV tyres.



#### Rising trend in radialisation of commercial vehicle tyres

Radialisation is the highest in passenger cars followed by LCV and heavy commercial vehicles. The primary reason for growth is increasing acquaintance of cost benefits, continuously improving road infrastructure, rigorous implementation of overloading norms and new radial capacities going onstream. Many companies are doing capex for increasing their radial tyre capacity, which may affect their profitability in the near term. However, over the long-term, rapid radialisation is likely to expand profitability through improvement in operational efficiency and better realisations compared to cross-ply tyres.

#### Transformation from commodity to branded business driven by technology

Over the years, the tyre industry has been seen as a commodity business having volatility in its revenue and profitability depending on the raw material cycle. Recently, major tyre companies have started focusing on improving their brand image by advertising the technological advancement applied while manufacturing tyres. Tyre companies have not only started launching new products with superior technologies but are also launching new campaigns highlighting the technological advancement.

#### Challenges

Demand in the tyre industry depends on economic growth and/or infrastructure development. Any slowdown in economic growth across regions will impact the industry's fortunes. Excess capacity

#### THE EVOLUTION OF A YOUNG AND MOTIVATED MIDDLE-CLASS IN INDIA IS ALSO LIKELY TO DRIVE PASSENGER VEHICLE INDUSTRY, WHICH WILL FUEL GROWTH FOR THE TYRE INDUSTRY.

may result in competitive pressures and decline in profit. The widening gap between production and consumption of key raw materials such as natural rubber, carbon black and inverted duty structure, further aggravated by trade agreements, etc., are affecting the competitiveness and functioning of the Indian tyre industry.

#### Outlook

Optimistic economic outlook, thriving auto sales, fast development of road, infrastructure, huge investment in capacity creation, rising demand from the young population, expanding middle-class, etc. are responsible for the growth of the Indian tyre industry. The Government in Budget FY 2018-19 has allocated higher investment towards infrastructure development (from ₹ 4.94 lac crs to ₹ 5.97 lac crs). This step, coupled with policy measures to enable faster road construction will strengthen the road transport infrastructure, which, in turn, will augment the offtake of all kinds of tyres. In a short time, GST is showing signs of facilitating movement of goods across the country in an integrated market. As the market develops, there will be opportunities to enhance efficiencies in the supply chain, thereby reducing the cost of operations. This reduced cost will generate OEM demand for all type of vehicle tyres, which will boost the replacement tyre market.

# Management Discussion and Analysis

With the Government's focus on GST, emission norms and safety standards, the Indian automotive industry is likely to experience significant technology advancements over the next 4 to 5 years. The automotive industry will continue going strong on mobility and analytics. Technology-driven trends, such as the ones below, will revolutionise the way industry players respond to changing consumer behaviour, while developing partnerships and driving transformational change:

- Electric Vehicles (EVs) are becoming increasingly more viable and competitive in the auto market due to their longer driving range, stringent emissions regulations, lower battery costs, widening infrastructure of vehicle chargers and greater consumer acceptance due to tax incentives
- Development of smart infrastructure (e.g. smart cities), alternative modes of transportation and the drive to enable EV charging infrastructure will change the face of mobility infrastructure

## Business review

CEAT is one of the most respected and fastest-growing brands in the Indian tyre market. CEAT's strategic focus areas include the two-wheeler segment, passenger car segment, truck & bus radial, off-the-road business and sales to emerging markets.

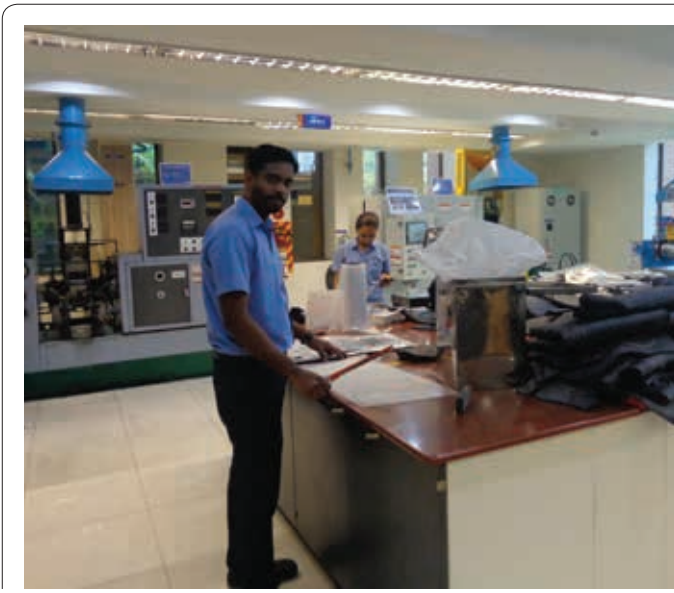
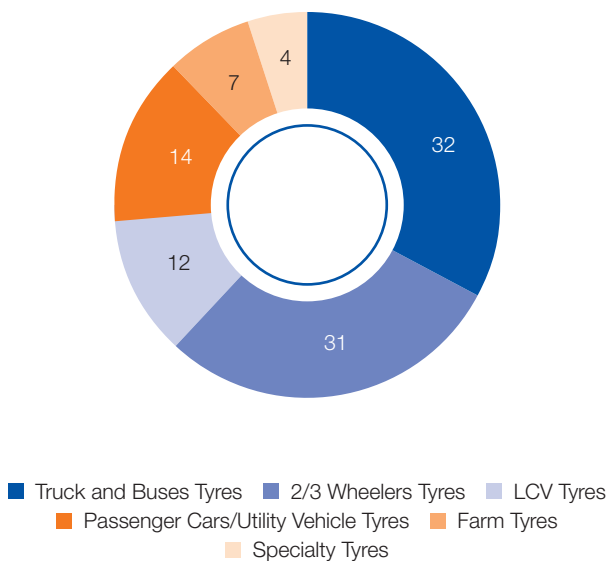
In the last few years, CEAT has continued to maintain profitability despite a challenging environment. For the year ended

March 31, 2018, it reported a net revenue from operations of ₹ 6,162 crs, growing by 8% year-on-year. CEAT's distribution network, marketing strategy and innovation in product manufacturing distinguishes it from other players.

The Company has manufacturing facilities at Bhandup, Mumbai, Nashik, Halol and Nagpur and is setting up a greenfield manufacturing facility. 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 Joint Venture (JV) named CEAT Kelani Holdings Company (Private) Ltd. Through CEAT Specialty Tyres Limited, its wholly-owned subsidiary, CEAT has an off-highway tyre manufacturing plant at Ambarnath, Maharashtra, which commenced commercial production in FY 2017-18. 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 has initiated European Technical Centre in Frankfurt, Germany. It has also worked extensively in the last few years to expand its distribution network across the country. A comprehensive network of more than 4,500 dealers and over 30,000 sub-dealers has helped it extend reach to all parts of the country

**THE EVOLUTION OF A YOUNG AND MOTIVATED MIDDLE-CLASS IN INDIA IS ALSO LIKELY TO DRIVE PASSENGER VEHICLE INDUSTRY, WHICH WILL FUEL GROWTH FOR THE TYRE INDUSTRY.**

**FY18 Revenue Breakup by Product (%)**





## SWOT Analysis

### Strengths

- Superior quality products
- High degree of customer satisfaction
- Strong brand image
- Pan-India coverage through dealers and wide distribution network
- Robust research and development focus

### Weakness

- Low capacity in the Truck Radial market

### Opportunities

- High investment by the Government on road infrastructure has increased demand for tyres
- Economic growth leading to rise in disposal incomes, thereby resulting in an increase in demand for vehicles
- Shifting customer preference towards branded products

### Threats

- Volatility in raw material prices
- Competition from domestic and international companies
- Cheap imports from China

## SWOT Analysis

# Management Discussion and Analysis

## Key awards won during FY 2017-18

1. Deming Prize – CEAT became the first tyre company in the world, outside Japan, to receive the Deming Prize in 2017. The Deming Prize recognises companies that achieve business transformation by implementing Total Quality Management (TQM). The prize reinforces and consolidates CEAT's reputation as a high-quality producer of tyres and enables CEAT to gain an ideal partner status for leading automobile companies in the world. It is a momentous milestone and testament to CEAT's journey of quality and customer-centricity.
2. CEAT was ranked No. 1 in India for customer satisfaction in the passenger car and utility vehicle tyre segments according to the J D Power 2017 India Original Equipment Tyre Customer Satisfaction Index (TCSI) study.
3. CEAT was certified by Great Place to Work (GPTW) in February 2018.

## Capacity expansion

The Company is setting up a greenfield plant with an estimated investment of approximately ₹ 2,000 crs to be spent over three to five years. The Company has acquired 163 acres of land for the project. The Company will start with passenger car radial tyres, with an initial capacity of around 250 tonnes per day. The Company also plans to utilise the proposed plant for exports. Civil work for the first phase of the project has begun and the plant is expected to begin production in the next 12 months.

## Export business

CEAT is one of the major exporters among India's tyre manufacturers and exports to over 100 countries across the globe. Geographically, the Company has a stratified export market divided into seven clusters. This division has helped CEAT better understand customer needs and design market-specific products. CEAT has consolidated its position in Bangladesh and Sri Lanka by forming JVs with strategic partners.

FY 2017-18 has been a challenging year on the export front due to macroeconomic factors and volatility in the global markets. Despite these issues, export volumes have grown during the year under review. CEAT has strategically altered the product mix by selling more volumes in the three-wheeler, passenger car and motorcycle segments. The Company has successfully increased the product range of passenger car tyres specifically designed for the Europe market. Motorcycle tyre sales in the Africa and South-East Asia markets have significantly boosted on account of customised products and marketing initiatives.

The new plant in Ambarnath (through a wholly owned subsidiary) for off-highway tyres has increased the Company's product offering for the US and Europe markets. Moreover, the state-



of-the-art plants at Nagpur and up-coming green field plant will bolster capabilities in the motorcycle tyre and passenger car tyre segments.

## New product launches

**Milaze X3:** Launched a new campaign for the flagship tyre Milaze X3. The Milaze X3 tyres are designed to be highly fuel efficient and durable giving up to 1 lac km when tested under standard test conditions. These tyres have a new generation tread compound that brings in optimised shoulder depth as well as rigid shoulder blocks. These together give the tyre a longer life. The higher groove depth of tyres also provides high resistance.

**Securadrive:** CEAT launched a new range of tyres 'CEAT Securadrive', especially designed for Hyundai Verna. These tyres are used for new Hyundai Verna model to ensure safer and comfortable drive at high speeds. They have wide longitudinal grooves and chamfered shoulder blocks for effective braking, strong grip and control of the vehicle even on wet roads. The computerised optimum pitch noise helps in lowering the vehicle clattering sound. Additionally, the use of a new generation compound benefits with superior control at higher speeds while ensuring safety of the driver.

**Launch of premium motorcycle radial tyres – Zoom Rad X1** - CEAT launched a new range of tyres under the badge Zoom Rad X1 at the 2017 India Bike Week. The Zoom Rad X1 tyres come with an H-speed rating, which means they are designed to work for speeds

of up to 210 kmph. The tyres will be targeted towards bikes in the 200cc to 400cc segment. These radial construction tyres are made from soft compound rubber, which will provide high grip levels and enhance a motorcycle's cornering abilities. These tyres are more suitable for bikes such as the KTM Duke series, KTM RC series, Bajaj Dominar and the Yamaha R15. The Zoom Rad X1 tyres are available in three sizes – 130/70 R17, 110/70 R17 and 150/60 R17.

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

Innovative product launches remained at the forefront of CEAT's strategy to grow across business segments. CEAT has invested heavily in R&D in the last few years. During FY 2017-18, CEAT initiated a European Tech Centre in Frankfurt, Germany, to meet the stringent regulations and challenging requirements of the more matured European markets. During the financial year, the Company invested about 1.36% of its revenue from operations in R&D and continues to build support infrastructure. CEAT's R&D is focused on development of breakthrough products for customers. It actively partners with institutes of global repute to augment its competency and capability. The R&D centre houses an objective testing facility along with the facility for simulation technology for predictive testing, which serves as a testament to CEAT's superior product and service offerings. CEAT's R&D centre's continued focus on the PV segment reinforces the need for enhancing current capabilities in fuel efficiency, grip, durability and noise.

#### CEAT's R&D endeavours to:

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

#### New products developed

In the last few years, the Company has seen a healthy rollout of new innovative products across categories. During the year, 65 new products were developed. Today, more than 25% of our revenue comes from new products.

#### Risk management

The risk management process at CEAT begins with the identification of risks and an assessment of their impact. The assessment is based on past trends and events. Thereafter, 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

##### 1. Disruption in supply of key raw materials

Disruption in supply of key raw materials and high conversion expense may impact the cost of production, leading to lower margins.

**Mitigation** – The Company is entering into long-term contracts for supply and also focusing on multiple input sources.

##### 2. Competition

Rising competition from domestic players and Chinese imports are impacting profitability.

**Mitigation** – The Company is insistent on channel expansion, enhanced after-sales services and superior quality of products and warranty offered on them. CEAT is challenging both domestic and foreign players with its deep domain knowledge, along with technology prowess, branding and reach. Moreover, it has long-standing relations with OEMs who trust the Company, which helps it cut through the competition. The Company is focusing on sales in profitable segments, developing capacities for new product development and entering new markets under premium segments to increase market share.

##### 3. Radialisation in the T&B segment

Increase in the T&B tyre segment radialisation may impact volumes and result in a de-growth of the bias segment.

**Mitigation** – The Company is converting its T&B bias tyre capacities into non-truck segments that have higher demand. The focus is also on penetrating the overseas markets to fully utilise its bias tyre capacity.

##### 4. High investment risk

Increase in planned capital expenditure and investments may impact the profit margins.

**Mitigation** – The Company is carrying out a sensitivity analysis and periodic review thereof. Investments are being planned in a phased manner.

##### 5. Commodity price volatility

Fluctuating raw material prices can affect profit margins considerably.

**Mitigation** – CEAT 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 ones.

#### Environment, occupational health and safety

CEAT works towards creating a safe working environment for all its assets. It is committed to reducing worksite accidents and occupational illnesses by following a proactive and systematic approach to identify hazards and risks. CEAT takes appropriate measures by training employees and contractors to follow safety measures. Moreover, CEAT functions on the principle of 'pollution prevention instead of control' and complies with all environmental laws.

# Management Discussion and Analysis

## Safety

CEAT aims at having 'zero accidents'- both on road and off road. With this goal in mind, CEAT conducts extensive training programmes on road safety and workplace safety aspects. CEAT provides safety training to recruits and periodic training sessions for all employees, including contract employees. The Company has adopted British Safety Council's (BSC's) Five Star Occupational Health and Safety Management System as a benchmark to its own systems. CEAT has an agile approach for risk elimination at its worksites with the following latest safety measures:

- Implemented BSC's Health and Safety Management System in all manufacturing plants
- All manufacturing plants are certified by the OHSAS:18001 standard

CEAT's Halol Plant was recognised with British Safety Councils 'Sword of Honour' in year 2016 and Nagpur Plant was certified for Five Star Occupational Health & Safety Management System in year 2018.

## Occupational health

CEAT aspires to have 'zero occupational illness cases' and thus engages in cross-functional efforts to reduce occupational health hazards. CEAT designed occupational health and well-being programmes to create awareness amongst the employees. The Company maintains round-the-clock Occupational Health Centres 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. The Company has set up 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 them for fatigue reduction in all plants
- Arranged health well-being programmes across all plants to create health awareness among the employees

## Environment

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

CEAT was involved in the following environmental protection initiatives:

- Achieved ISO 14001:2015 (Environment Management System) Certification for all manufacturing plants
- Implemented projects to reduce freshwater consumption in manufacturing plants which result into 10% reduction in use of fresh water consumption over the previous year; the Halol, Nashik and Nagpur plants are 'Zero Liquid Discharge' plants
- Incorporated projects relating to reduction in waste generation, reduction in carbon foot print and tree plantation, which resulted into 25% reduction in hazardous waste generation in manufacturing plants

## Human assets

CEAT's Values (Challenger, Aspiration led, Integrity, Result obsession and Openness – CAIRO) and Quality Based Management (QBM) define the way of working at CEAT. CEAT continues to use innovative methods to embed behaviours led by values in the organisation. A unique campaign 'Leader Speak Series' was launched on WhatsApp and e-mail. Through this campaign, CEAT's senior leaders spoke about people who exemplified the organisation's values (CAIRO). Alternate methods such as animation helped CEAT in making it a fun communication. Overall CAIRO awareness in the organisation is at 97%.

This year, CEAT has been certified by Great Place to Work (GPTW). The Company achieved this certification through a combination of feedback given by its employees and the strong people practices that are the foundation of its people philosophy. CEAT believes in a culture of inclusion, trust, empowerment and development for its employees. This year, CEAT focused on building gender sensitivity across its manufacturing locations. CEAT used an innovative medium of interactive theatre to engage and educate the associates.

In CEAT's journey to build the best-in-class sales force, through Sales Academy, it trained the entire field force on processes, product features and benefits to the best at what they do. This training has resulted in significant improvement of the overall competence across its sales organisation.

CEAT continues to invest significantly in building a culture of coaching and mentoring and through a number of structured interventions, the Company has improved the reach of this intervention. CEAT introduced another key element of 'Authentic Conversation' this year and has made good progress on this initiative. CEAT aims to make coaching, mentoring and conversation ability the foundation of its leadership style.

CEAT believes in growing internal talent and more than 65% of senior positions were filled with internal talent this year. To add to this, around 50% of the Company's external hiring came from employee referrals, which reflects the positive sentiments of the employees.

In our journey towards making CEAT a fun place to work, we introduced an in-house talent show 'CEAT's Got Talent', which showcased talent across the organisation. We will continue our efforts to maintain the GPTW certification.

The total number of employees on the rolls of the Company was 5,617 as on March 31, 2018.

### Internal control systems and their adequacy

The Company has a well-placed, suitable and adequate internal control environment, commensurate with the size, scale and complexity of its operations. This environment provides:

- Assurance on orderly and efficient conduct of operations
- Security of assets
- Prevention and detection of frauds and errors
- Accuracy and completeness of accounting records and timely preparation of reliable financial information

#### First line

Management control: The line managers are directly responsible for ensuring the design and effective implementation of the Internal Controls framework in the Company. The Line Manager carries out day-to-day operations within the boundaries defined by the Company through its various policies and procedures, including the following:

1. Employee Code of Conduct
2. Whistle blower Policy
3. Entity Level, Operating Level and IT General Controls
4. Delegation of Authority Matrix
5. Policies and Standard Operating Procedures

#### Second line

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

1. Monthly Operation Reviews ('MOR') by respective Functional/Business Managers
2. Monthly Operating Committee ('OpCom') meeting chaired by the Executive Director – Operation
3. Monthly Management Committee ('MCM') meeting chaired by the Managing Director

#### Third line

Governing Board and Audit Committee: This independent assurance and oversight of internal controls is achieved through the following governing bodies:

1. Board of Directors
2. Audit Committee of the Board of Directors. Their oversight activities mainly include:
  - Review financial reports and other financial information and communicate with the regulators
  - Review the Company's established systems and procedures for internal financial controls, governance and risk management
  - Review the Company's statutory and internal audit activities
3. Risk Management Committee

The above three lines of defence are further strengthened by independent audits carried out by statutory audit, tax audit, cost audit and secretarial audit.

### Discussion on financial performance

The analysis of the Standalone Financial Statements is 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 THE 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 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

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Property, plant and equipment	2,40,981	2,34,062	6,919	3%
Capital work-in-progress	16,186	4,877	11,309	232%
Intangible assets	6,544	6,825	(281)	(4%)
<b>Total</b>	<b>2,63,711</b>	<b>2,45,764</b>	<b>17,947</b>	<b>7%</b>

### Property, plant and equipment

These mostly include plant and machinery, land and buildings. The increase in property, plant and equipment is mainly because of plant and machinery being capitalised for Halol phase II and Nagpur project and land capitalised for new greenfield project.

### Capital work-in-progress

Capital work in progress mainly includes the project capital expenditure at Halol Phase III, Nagpur and new greenfield project.

### Intangible assets

Intangible assets consist of software, brand acquisitions, technical knowhow and product development.

### Non-current investments (Note 5)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Non-current investments	27,999	19,439	8,560	44%

Non-current investments has increased on account of additional investment in subsidiaries viz. Rado Tyres Ltd – ₹ 1,160 lacs and CEAT Specialty Tyres Ltd – ₹ 7,000 lacs and investment in Tyresmore Online Pvt Ltd (Associate) – ₹ 400 lacs

### Loans (Note 6)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Secured, considered good</b>				
Security deposits	298	189	109	58%
<b>Unsecured, considered good</b>				
Security deposits	6	6	0	0%
<b>Unsecured, considered doubtful</b>				
Security deposits	128	92	36	39%
Less: Provision made for doubtful deposits	(128)	(92)	(36)	39%
<b>Total</b>	<b>304</b>	<b>195</b>	<b>109</b>	<b>56%</b>

Security deposits comprises of deposits given for godowns taken on rent which has increased on account of additional godowns taken.

**Other non-current financial assets (Note 7)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Unsecured, considered good</b>				
<b>At amortised cost</b>				
Margin Money Deposits*	171	289	(118)	(41%)
<b>Unsecured, considered doubtful</b>				
Receivables from subsidiaries	209	228	(19)	(8%)
Less: Provision for receivables	(209)	(228)	19	8%
<b>Total</b>	<b>171</b>	<b>289</b>	<b>(118)</b>	<b>(41%)</b>

\* The margin deposits are for financial bank guarantees given to statutory authorities for period ranging between 3-5 years. Reduction of margin money deposits is because of pre-payment of public deposits which in-turn reduced the amount of deposits.

Receivable from subsidiaries includes amount receivable from CEAT AKKHAN Limited on account of technical and project development fees. A provision of ₹ 209 lacs was created in earlier years as per prudent policy. The recovery is pending for consideration at respective regulatory authorities at Bangladesh.

**Other non-current assets (Note 8)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Unsecured, considered good</b>				
Capital advances	5,645	1,611	4,034	250%
Security Deposits - Statutory authorities	1,496	713	783	110%
<b>Unsecured, considered doubtful</b>				
Balances with government authorities and agencies	304	294	10	3%
Less: Provision for doubtful balances	(304)	(294)	(10)	3%
<b>Total</b>	<b>7,141</b>	<b>2,324</b>	<b>4,817</b>	<b>207%</b>

Capital advances mainly include advances given towards projects.

Security deposits with statutory authorities primarily comprises of deposits given to various statutory/government authorities.

**Inventories (Note 9)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Raw Materials	35,876	42,720	(6,844)	(16%)
Work-In-Progress	2,933	3,149	(216)	(7%)
Finished Goods	32,215	40,779	(8,564)	(21%)
Stock in trade	1,280	2,405	(1,125)	(47%)
Stores and Spares	3,192	3,291	(99)	(3%)
<b>Total</b>	<b>75,496</b>	<b>92,344</b>	<b>(16,848)</b>	<b>(18%)</b>

Raw material inventory when compared as a measure of the cost of material consumption for goods sold, it is stated at 29 days against 37 days for previous year.

As a measure of the goods sold, the finished goods inventory (including traded goods stock) is stated at 27 days as at March 31, 2018 as against 25 days as at March 31, 2017.

# DISCUSSION ON THE FINANCIAL PERFORMANCE

## Current Investments (Note 10)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Current Investments	4,006	6,427	(2,421)	(38%)

Current investments include investments made in Mutual Funds.

## Trade Receivables (Note 11)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Secured, Considered good*	24,819	22,769	2,050	9%
Unsecured, Considered good	46,396	36,436	9,960	27%
Doubtful	2,129	3,291	(1,162)	(35%)
<b>Total</b>	<b>73,344</b>	<b>62,496</b>	<b>10,848</b>	<b>17%</b>
Allowance for doubtful debts	(2,129)	(3,291)	1,162	(35%)
<b>Total trade receivables</b>	<b>71,215</b>	<b>59,205</b>	<b>12,010</b>	<b>20%</b>

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

The receivables position as at March 31, 2018 is at 35 days sales outstanding as compared to 40 days sales outstanding as at March 31, 2017. The fall in provision for doubtful debtors is on account of reduction/adjustment of overdue receivables including settlement from Insurance Company for Export receivables.

While 95.52% of the total receivables was not due as on March 31, 2018, 95.22% was not due as at March 31, 2017.

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

(₹ in lacs)

Days	As at March 31, 2018	As at March 31, 2017
1-30 days	44.91%	67.04%
31-90 days	31.11%	14.91%
Above 90 days	23.98%	18.05%

## Cash and cash equivalents (Note 12)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Balances with Banks				
On current Accounts	260	406	(146)	(36%)
On remittance in Transit	6,702	1,013	5,689	562%
Cash on hand	2	6	(4)	(67%)
<b>Total</b>	<b>6,964</b>	<b>1,425</b>	<b>5,539</b>	<b>389%</b>

The increase in cash and cash equivalents is mainly on account of cheques received but were not deposited in bank accounts on account of bank holidays for the last 3 days of March 2018.

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Balances held for unclaimed public fixed deposit and interest thereon	112	128	(16)	(13%)
Balances unclaimed dividend accounts	225	194	31	16%
<b>Total</b>	<b>337</b>	<b>322</b>	<b>15</b>	<b>5%</b>

Balances held for unclaimed public fixed deposit and interest thereon 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 as per the provisions of Companies Act, 2013.

**Current Financial Loans (Note 14)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Unsecured, Considered Good</b>				
Advance receivable in cash	2	2	-	-
Loans to related parties	4,900	5,000	(100)	(2%)
<b>Unsecured, Considered Doubtful</b>				
Loans advances and deposits	163	163	-	0%
Less: Provision for doubtful advances and deposits	(163)	(163)	-	0%
<b>Total</b>	<b>4,902</b>	<b>5,002</b>	<b>(100)</b>	<b>(2%)</b>

Loan to related parties is towards loan being given to our 100% subsidiary, CEAT Specialty Tyres Limited.

**Other current financial assets (Note 15)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Unsecured, Considered Good</b>				
<b>At amortised cost</b>				
Advance receivable in cash	246	436	(190)	(44%)
Other receivables	392	66	326	494%
Interest receivable	1	1	0	0%
Receivable from subsidiaries/ joint ventures	554	529	25	5%
Unamortised premium on forward contract	-	123	(123)	(100%)
<b>Total</b>	<b>1,193</b>	<b>1,155</b>	<b>38</b>	<b>3%</b>

Other receivable includes fair value of plan assets for gratuity(net) of ₹ 366 lacs. For the current year, the fund value is more than the provision for gratuity on account of rise in the discount rate by 0.70%.

# DISCUSSION ON THE FINANCIAL PERFORMANCE

## Other current assets (Note 16)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Unsecured considered, good</b>				
Advance Receivable in kind or for Value to be Received	5,875	8,527	(2,652)	(31%)
Balance with government authorities	4,095	7,504	(3,409)	(45%)
Advance to employees	160	14	146	1043%
Prepaid expense	565	432	133	31%
<b>Unsecured considered, doubtful</b>				
Advance receivable in kind or for value to be received	44	44	-	0%
Less: Provision for advance receivable in kind or for value to be received	(44)	(44)	-	0%
<b>Total</b>	<b>10,695</b>	<b>16,477</b>	<b>(5,782)</b>	<b>(35%)</b>

Advance receivable in kind or for value to be received majorly includes advances to raw material vendors, export benefit receivable, rent deposits, etc. Significant fall is on account of export benefit receivable which has reduced due to increase in license utilisation.

Balance with government authorities mostly includes Input GST credit on purchases of goods/services, GST on finished goods in transit, Customs duty, refundable duty deposit on imports and other appeal deposits of excise/customs etc. The reduction in the balance with government authorities is the unclaimed cenvat balances of fixed assets as per Cenvat Credit Rules which was claimed in the current year with no such balances in the current year with the introduction of GST.

Prepaid expenses represents unamortised expenses towards various licence fees, finance charges, insurance charges and other expenses in normal course of business.

## Share capital (Note 17)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Issued	4,045	4,045	-	0%
Subscribed and paid up	4,045	4,045	-	0%

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, 2018	As at March 31, 2017	Change	Change %
Securities premium reserve	56,703	56,703	-	0%
Capital reserve	1,177	1,177	-	0%
Capital redemption reserve	390	390	-	0%
Cash flow hedge reserve	476	(242)	718	297%
Debenture redemption reserve	5,001	3,334	1,667	50%
General reserve	20,177	20,177	-	0%
Retained earnings	1,66,713	1,45,031	21,682	15%
<b>Total</b>	<b>2,50,637</b>	<b>2,26,570</b>	<b>24,067</b>	<b>11%</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 ₹ 40,000 lacs were issued under Qualified Institutional Placements (QIP).

### Capital reserve

Capital reserve comprises of Government Subsidies amounting to ₹ 65 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 ₹ 219 lacs during FY 1982-83, forfeiture of shares and convertible warrants amounting to ₹ 608 lacs during FY 2007-08 and FY 2011-12, receipt of shares from Rado Tyres Limited pursuant to BIFR order amounting to ₹ 300 lacs during FY 2013-14 and miscellaneous balance sheet adjustments amounting to ₹ (15) lacs during FY 2005-06.

### Capital redemption reserve

It 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 of Rupee vs other foreign currencies.

### Debenture redemption reserve

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 equivalent to 25% of the value of the debentures issued. As per the rules, the Company needs to create Debenture Redemption Reserve for ₹ 5,000 lacs, before the maturity of the first tranche of debentures commencing from FY 2019-20. For the year under review, the Company has transferred ₹ 1,667 lacs to DRR making the balance as on March 31, 2018 to ₹ 5,001 lacs.

### Non-current borrowings (Note 20)

(₹ in lacs)				
Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Non-convertible debentures	19,956	19,950	6	0%
Indian rupee loan from banks	-	20,755	(20,755)	(100%)
Buyer's credit	4,512	26,615	(22,103)	(83%)
Public deposits	0	0	-	0%
Deferred sales tax incentive	2,762	3,031	(269)	(9%)
<b>Total</b>	<b>27,230</b>	<b>70,351</b>	<b>(43,121)</b>	<b>(61%)</b>

The Company has prepaid all the Indian rupee loan from banks during the FY 2017-18. ₹ 22,103 lacs of Buyers Credit has been regrouped from Non-current to current maturities as it is due in the FY 2018-19.

### Other non-current financial liabilities (Note 21)

(₹ in lacs)				
Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Non current</b>				
<b>At fair value through other comprehensive income</b>				
Derivative financial instrument	177	1,520	(1,343)	(88%)
<b>At amortised cost</b>				
Deposits	146	146	-	0%
<b>Total</b>	<b>323</b>	<b>1,666</b>	<b>(1,343)</b>	<b>(81%)</b>

# DISCUSSION ON THE FINANCIAL PERFORMANCE

Derivative instrument represents mark to market loss on cross currency hedges on long term buyer's credit. It has reduced because a portion of buyers credit is transferred to current as it will mature in FY 2018-19.

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

## Non-current provisions (Note 22)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Provision for warranty	886	777	109	14%
Provision for compensated absences	2,433	2,586	(153)	(6%)
Provision for decommissioning liability	61	55	6	11%
<b>Total</b>	<b>3,380</b>	<b>3,418</b>	<b>(38)</b>	<b>(1%)</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 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 Nasik 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.

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Deferred tax liabilities (net)	17,815	13,459	4,356	32%

Deferred tax liability has increased on account of depreciation on capitalisation of Halol Phase II and Nagpur Project.

## Deferred Revenue (Note 24)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Current	82	82	-	0%
Non Current	968	1,050	(82)	(7%)
<b>Total</b>	<b>1,050</b>	<b>1,132</b>	<b>(82)</b>	<b>(7%)</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.

**Current Borrowings (Note 25)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Secured:</b>				
Cash credit facilities from banks (repayable on demand)	7,132	2,021	5,111	253%
Export packing credit from banks	1,955	1,297	658	51%
Buyer's credit from banks	5,277	-	5,277	100%
<b>Unsecured:</b>				
Commercial Paper	-	2,481	(2,481)	(100%)
<b>Total</b>	<b>14,364</b>	<b>5,799</b>	<b>8,565</b>	<b>148%</b>

The company has met its short term working capital needs by way of optimising right mix of funding like cash credit, commercial paper, buyers credit and export packing credit from banks.

**Trade Payables (Note 26)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>Dues to micro and small enterprises</b>				
Overdue	-	-	-	-
Not due	360	426	(66)	(15%)
Other trade payables	82,493	73,830	8,663	12%
Trade payables to related parties	2,001	702	1,299	185%
<b>Total</b>	<b>84,854</b>	<b>74,958</b>	<b>9,896</b>	<b>13%</b>

Other trade payable primarily include amount payable for material supplies, acceptances, conversion charges, C&FA service charges etc. The payables position as at March 31, 2018 is at 55 days which was at 56 days as at March 31, 2017.

**Other Current Financial Liabilities (Note 27)**

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
<b>At fair value through other comprehensive income</b>				
Derivative financial instrument	4	315	(311)	(99%)
<b>At amortised cost</b>				
Current maturities of long-term borrowings	22,494	1,355	21,139	1560%
Interest accrued but not due on borrowings	129	276	(147)	(53%)
Unpaid dividends	225	150	75	50%
Unpaid matured deposits and interest accrued thereon	117	128	(11)	(9%)
Payable to capital vendors	3,585	4,792	(1,207)	(25%)
Deposits from dealers and others	30,376	30,756	(380)	(1%)
Others	71	-	71	100%
<b>Total</b>	<b>57,001</b>	<b>37,772</b>	<b>19,229</b>	<b>51%</b>

'Derivative financial instrument' represents unrealised loss on revaluation of the hedge contracts.

'Current maturities of long term borrowings' are instalments payable to the lenders of long term loans. It has increased mainly on account of ₹ 22,103 lacs of Buyers Credit which have been regrouped from Non-current to current maturities as its due in the FY 2018-19



# DISCUSSION ON THE FINANCIAL PERFORMANCE

'Interest accrued but not due on borrowings' consists of interest on public deposits, term loans, income tax, bill discounting, buyers' credit.

'Payable to capital vendors' represents the amount payable for procurement of capital goods mainly 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.

## Current Provisions (Note 22)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Provision for warranty	2,843	2,609	234	9%
Provision for gratuity	-	1,017	(1,017)	(100%)
Provision for compensated absences	313	278	35	13%
Provision for indirect tax and labour matters	1,858	1,556	302	19%
<b>Total</b>	<b>5,014</b>	<b>5,460</b>	<b>(446)</b>	<b>(8%)</b>

'Provision for gratuity' - CEAT's gratuity scheme is funded with an insurance company in the form of qualifying insurance policy. For the current year, the fund value is more than the provision for gratuity on account of rise in the discount rate by 0.70%, hence provision for gratuity amount is nil in the current year.

'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.

## Other Current Liabilities (Note 28)

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017	Change	Change %
Statutory dues	7,732	6,813	919	13%
Advance received from customers	1,737	820	917	112%
<b>Total</b>	<b>9,469</b>	<b>7,633</b>	<b>1,836</b>	<b>24%</b>

Statutory dues represent taxes accrued but not due and primarily includes dues payable for Goods and Service tax (GST), Custom duty, Tax deductible at source, Provident fund, Professional tax etc.

## Profit and Loss

### Revenue from operations (Note 29)

(₹ in lacs)

Particulars	2017-18	2016-17	Change	Change %
Sale of products (gross of excise duty)	6,24,428	6,33,304	(8,876)	(1%)
Less: Excise duty on sale of goods	16,891	67,479	(50,588)	(75%)
<b>Sale of products (net of excise duty)</b>	<b>6,07,537</b>	<b>5,65,825</b>	<b>41,712</b>	<b>7%</b>
Other operating revenues				
Royalty Income	419	431	(12)	(3%)
Sale of Scrap	2,195	1,753	442	25%
Government Grants	1,273	1,302	(29)	(2%)
Other revenues	4,710	862	3,848	446%
	<b>6,16,134</b>	<b>5,70,173</b>	<b>45,961</b>	<b>8%</b>

Effective July 1, 2017, sales is recorded net of GST, whereas earlier sales were recorded gross of excise duty which formed part of expenses.

The increase in other revenues is mainly on account of sale of semi-finished goods to CEAT Specialty Tyres Ltd of ₹ 1,905 lacs

### Other Income (Note 30)

(₹ in lacs)				
Particulars	2017-18	2016-17	Change	Change %
Interest income on				
Bank deposits	24	49	(25)	(51%)
Other interest income	1,303	798	505	63%
Dividend income on				
Subsidiaries	1,927	1,639	288	18%
Current investments	-	0	(0)	(100%)
Other non-operating income	1,362	1,291	71	5%
Net gain on disposal of investments	1,065	283	782	276%
Foreign exchange fluctuation (net)	-	86	(86)	(100%)
<b>Total</b>	<b>5,681</b>	<b>4,146</b>	<b>1,535</b>	<b>37%</b>

Increase in interest income is mainly on account of interest on IT Refund amounting to ₹ 682 lacs

Dividend income on Subsidiaries - includes dividend income received from Associated Ceat Holding Private Limited (Sri Lanka).

Net gain on disposal of investments includes the net profit earned on redemption of investments done during the year.

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

(₹ in lacs)				
Particulars	2017-18	2016-17	Change	Change %
Cost material consumed	3,65,033	3,30,888	34,145	10%
Purchase of stock-in-trade	5,988	14,255	(8,267)	(58%)
Changes in inventories of finished goods, stock-in-trade and work-in-progress	9,332	(7,615)	16,947	(223%)
<b>Total</b>	<b>3,80,353</b>	<b>3,37,528</b>	<b>42,825</b>	<b>13%</b>

The raw material prices have increased during the year. As a result, the cost of material consumed as a percentage of sale of products has increased to 58.46% for the year as compared to 52.25% for the previous year.

Finished goods have reduced mainly on account of excise duty being loaded on the inventory value as at March 31, 2017 which is not loaded as at March 31, 2018. Traded goods have fallen on account of fall in tonnage.

### Employee benefits expense (Note 33)

(₹ in lacs)				
Particulars	2017-18	2016-17	Change	Change %
Salaries, wages and bonus	33,739	31,539	2,200	7%
Contribution to provident and other funds	1,860	1,761	99	6%
Gratuity expenses	610	514	96	19%
Welfare expenses	5,102	4,571	531	12%
<b>Total</b>	<b>41,311</b>	<b>38,385</b>	<b>2,926</b>	<b>8%</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 canteen cost; leave travel concession & bus service cost.

# DISCUSSION ON THE FINANCIAL PERFORMANCE

## Finance Cost (Note 34)

Particulars	(₹ in lacs)			
	2017-18	2016-17	Change	Change %
Interest on debts and borrowings	7,883	7,510	373	5%
Other finance charges	375	83	292	352%
<b>Total interest expense</b>	<b>8,258</b>	<b>7,593</b>	<b>665</b>	<b>9%</b>
Unwinding of decommissioning liability	6	6	(0)	0%
Unwinding of discount on provision of warranty	381	348	33	9%
<b>Total finance cost</b>	<b>387</b>	<b>354</b>	<b>33</b>	<b>9%</b>
<b>Total</b>	<b>8,645</b>	<b>7,947</b>	<b>698</b>	<b>9%</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.

Increase in Other finance charges is on account of hedging cost on buyers credit taken during the year amounting to ₹ 18,660 lacs.

## Depreciation and amortization expense (Note 35)

Particulars	(₹ in lacs)			
	2017-18	2016-17	Change	Change %
Depreciation of tangible assets	14,959	13,232	1,727	13%
Amortization of intangible assets	1,209	969	240	25%
<b>Total</b>	<b>16,168</b>	<b>14,201</b>	<b>1,967</b>	<b>14%</b>

Depreciation expenses of tangible assets have increased on account of commissioning of Nagpur and Halol 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 87.32% (Previous year 87.98%) thereof:

Particulars	(₹ in lacs)			
	2017-18	2016-17	Change	Change %
Conversion Charges	35,468	38,508	(3,040)	(8%)
Stores and Spares Consumed	4,696	4,726	(30)	(1%)
Power and Fuel	18,815	17,790	1,025	6%
Freight and Delivery Charges	27,724	26,565	1,159	4%
Repairs - Machinery	4,900	4,647	253	5%
Travelling and Conveyance	3,231	3,046	185	6%
Advertisement and Sales Promotion Expenses	14,672	12,213	2,459	20%
Professional and Consultancy Charges	2,753	2,500	253	10%
Training and Conference Expenses	1,151	1,116	35	3%
CSR Expenses	1,071	1,011	60	6%
Bank Charges	541	726	(185)	(25%)

Total other expenses as a percentage of sales is 21% in current year as against 20% 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, tubes & flaps. The fall in conversion cost during the year was on account of fall in outsourced volume.

Increase in power and fuel is an outcome of increase in tariff and higher consumption. The consumption has substantially increased on account of increase in production at Halol and Nagpur plants.

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

Training and conference expenses have increased on account of international training for senior employees. The Company has also won the 'Deming Award' during the year for which the Company has incurred expenses to provide training in QBM practice 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)			
	2017-18	2016-17	Change	Change %
Voluntary Retirement Scheme (VRS)	2,640	1,333	1,307	98%

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, 178 employees (Previous year: 93 employees) opted for the VRS.

# NOTICE

NOTICE is hereby given that the Fifty-Ninth Annual General Meeting of the members of CEAT Limited will be held on Friday, July 20, 2018 at 3.30 p.m. at The Auditorium, Textile Committee, next to Trade Plaza (TATA Press), P. Balu Road, Prabhadevi Chowk, 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, 2018, 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, 2018, together with the Report of the Auditors thereon.
2. To declare dividend on equity shares for the financial year ended March 31, 2018.
3. To appoint a Director in place of Mr. Hari L. Mundra (DIN: 00287029), 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, the appointment of Messrs. S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003), who were appointed as the Statutory Auditors of the Company for the second term to hold office from the conclusion of the Fifty-Eighth Annual General Meeting until the conclusion of the Sixty Third Annual General Meeting of the Company, be and is hereby ratified at this Fifty-Ninth Annual General Meeting on such remuneration as may be mutually decided by 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 an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152, 161 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”), Mr. Pierre E. Cohade (DIN:00468035), who was appointed as an Additional Director of the Company with effect from February 1, 2018 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing in accordance with Section 160 (1) of the Act, proposing his candidature for the office of Director of the Company and who is eligible for appointment and such appointment is recommended by the Nomination and Remuneration Committee, be and is hereby appointed as a Non-Executive Non Independent Director of the Company and shall be liable to retirement by rotation.”

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, 2019, 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 the provisions of Sections 196, 197 and other applicable provisions if any, of the Companies Act, 2013 read with Schedule V of the Act 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 as “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 re-appointment of Mr. Arnab Banerjee (DIN: 06559516) as Whole-time Director designated as Executive Director-Operations of the Company, for a further period of 5 (five) years commencing on May 7, 2018 and ending on May 6, 2023 upon the terms and conditions set out in the Agreement dated April 30, 2018 and submitted to this meeting (which Agreement is also hereby ratified and approved) and payment of remuneration for the period of 5 (five) years from FY 2018-19 till FY 2022-23 as per details mentioned below:

Sr. No.	Particulars
1	<b>Salary:</b> ₹ 5,43,235 per month, which is eligible for revision every year as determined by the Board of Directors ("the Board")
2	<b>Other Allowances:</b> ₹ 11,00,427 per month, which is eligible for revision every year as determined by the Board
3	<b>Performance Linked Bonus/ Variable Pay:</b> As per the Company policy and as determined by the Board every year.
5	<b>Perquisites:</b>
	a) Company leased Accommodation: included in other Allowances at Sr. No. (2)
	b) Reimbursement of Domestic Medical Expenses: included in other Allowances at Sr. No. (2)
	c) Car and Telephone at residence for business use, at actuals
	d) Other perquisites: As may be granted, monetary value of which shall not exceed ₹ 1,00,000/- per annum.
6	<b>Retirals:</b>
	a) Provident Fund: @12% of Salary
	b) Superannuation: @ 15% of Salary
	c) Gratuity Fund: As per the Company Policy

**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/modifications, as may be approved by the Board from time to time to Mr. Arnab Banerjee, Executive Director-Operations 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. Arnab Banerjee, Executive Director-Operations 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 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.

**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."

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

**"RESOLVED THAT** pursuant to Sections 23, 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,

# NOTICE

non-convertible debentures/bonds or such other 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."

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

**"RESOLVED THAT** pursuant to Sections 197, 198, and all other applicable provisions of the Companies Act, 2013 read with rules made thereunder, including any statutory modification or re-enactment thereof, for the time being in force (hereinafter referred to as "the Act") and Regulation 17(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to all approvals, permissions and sanctions as may be necessary, the approval of the Company be and is hereby accorded for payment of remuneration/commission to the Director(s) of the Company who is/are neither in the whole-time employment with the Company nor Managing Director(s) of the Company, in such manner and up to such extent as 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 the Board by this resolution) may so determine from time to time upon recommendation of the Nomination and Remuneration Committee, but not exceeding 3 (three) percent of the net profits calculated pursuant to Section 198 of the Act and such payments shall be made in respect of profits of the Company for each financial year.

**RESOLVED FURTHER THAT** the above remuneration/commission shall be in addition to the fees payable to the Directors for attending the meetings of the Board or any Committee thereof or for any other purpose whatsoever, as may be decided by the Board of Directors and reimbursement of expenses for participation in the Board or any other meetings.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the said resolution, the Board be and is hereby authorised to take all such actions and to do all such 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 Annual General Meeting, is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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.**
3. 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.
4. Proxy in prescribed Form No. MGT-11 is enclosed herewith. Proxy shall not have a right to speak at the Meeting.
5. 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.
6. 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.

7. 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.
8. 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. Hari L Mundra retires by rotation and being eligible, offers himself for re-appointment. A brief resume of Mr. Hari L Mundra along with nature of his expertise is given in the Corporate Governance Report. Mr. Hari L Mundra is not related to any other Director of the Company.
9. The Register of Members and the Share Transfer Books of the Company will be closed from Thursday, July 12, 2018 to Friday, July 20, 2018 (both days inclusive).
10. **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.
11. **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- 400011 for consolidation of their shareholding into single folio.
12. **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
13. **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.com](mailto:investors@ceat.com) or with the Registrar and Share Transfer Agents viz. TSR Darashaw Limited by sending duly signed request.
- Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details such as bank account number, name of the bank and branch details, MICR code and IFSC code, mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their depository participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrar and Share Transfer Agents, TSR DARASHAW Limited (TSRDL) to provide efficient and better services.
- Members holding shares in physical form are requested to intimate such changes to TSRDL.
14. The Securities and Exchange Board of India ("SEBI") has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to TSRDL.
- 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.
15. Transfer of Unclaimed / Unpaid amounts to the Investor Education and Protection Fund (IEPF):
- During the financial year ended March 31, 2018, the Company, after compliance with the due procedure laid down under Section 124(6) of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority



# NOTICE

(Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), had transferred 2,04,838 shares (7,600 records) in respect of which dividend has not been claimed for 7 (seven) consecutive years or more, in the name of Investor Education and Protection Fund (DP ID/CLIENT ID: 1204720013676780) ("IEPF Authority"). Such shares including dividends and other benefits accruing thereon can be claimed from IEPF Authority, after following the procedure prescribed under the IEPF Rules and no claim shall lie against the Company or its RTA.

16. Pursuant to the provisions of Section 124 (5) of the Companies Act, 2013, dividend for the financial year ended March 31, 2011, which would remain unclaimed 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, 2011 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 on or before September 10, 2018. The dividend for the financial year ended March 31, 2011 will be transferred to the aforesaid account in the month of October 2018.

Further, pursuant to Section 124 (6) of the Companies Act, 2013 ("the Act") read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016, as notified and amended from time to time (collectively referred as "IEPF Rules"), shares in respect of which dividend has not been paid or claimed for 7 (seven) consecutive years or more, shall liable to be transferred to IEPF Authority. You are therefore requested to claim unclaimed dividend for the financial year ended March 31, 2011 onwards.

17. Electronic copy of the Annual Report for the FY 2017-18 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 2017-18 is being sent by permitted mode.
18. Members may also note that the Notice of the Fifty-Ninth Annual General Meeting and the Annual Report for FY 2017-18 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.

19. 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.
20. The route map showing directions to reach the venue of the Fifty-Ninth Annual General Meeting is annexed.
21. 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 through electronic means (Remote e-voting), on all the resolutions set forth in this Notice. The e-voting period will commence at 9.00 a.m. on Tuesday, July 17, 2018 and will end at 5.00 p.m. on Thursday, July 19, 2018. The Company has signed an agreement with CDSL for facilitating remote e-voting. The members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter.

The Company has appointed Mr. P. N. Parikh, or failing him Mr. Mitesh Dhaliwala 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 facility for voting either through electronic voting system or physical ballot paper shall also be made available at the AGM and the Members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right to vote at the AGM.

The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again. However, in case members cast their vote both via remote e-voting and electronic voting system or physical ballot paper at AGM, then remote e-voting shall prevail and voting done through electronic voting system or physical ballot paper at the AGM shall be treated as invalid.

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 i.e. Friday, July 13, 2018. 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 48 hours 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.

## 22. Voting on resolutions:

The instructions for members for voting electronically are as under:

- (i) The voting period begins on 9.00 a.m. on Tuesday, July 17, 2018 and will end at 5.00 p.m. on Thursday, July 19, 2018. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Friday, July 13, 2018 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The members should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iii) Click on Shareholders.
- (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:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	<ul style="list-style-type: none"> <li>• Enter your 10-digit alpha-numeric/PAN issued by Income Tax Department (Applicable for both demat members as well as physical members)</li> <li>• 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 account/folio number in the PAN field.</li> <li>• 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.</li> </ul>
Dividend Bank Details Date of Birth (DOB)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

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

(ix) Members holding shares in physical form will then directly reach the Company selection 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 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.

# NOTICE

- (xi) Click on the EVSN for the relevant CEAT Limited on which you choose to vote. **Electronic Voting Sequence Number (EVSN): 180611002**
- (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 login password then Enter the User ID and the image verification code and click on Forgot Password & entering 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.
  - 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.

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) or call 1800225533.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Deputy Manager, Central Depository Services (India) Limited (CDSL), A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call 1800225533.

**Under the Authority of the Board of Directors**

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

**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.com](mailto:investors@ceat.com); 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 30, 2018.

#### 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 Branch Offices, 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 Ordinary Resolution as set out in Item No. 5 of the Notice for approval of the Members.

None of the Director, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested in the resolution set out at item no. 5 of the Notice.

#### Item No. 6:

The Board of Directors of the Company at its meeting held on February 1, 2018, upon on the recommendation of the Nomination and Remuneration Committee appointed Mr. Pierre E. Cohade as an Additional (Non- Executive) Director of the Company with effect from February 1, 2018. As per Section 161 of the Companies Act, 2013 ("the Act"), Mr. Pierre E. Cohade holds office up to the date of this Annual General Meeting of the Company and is eligible for appointment as Director.

The Company has received a notice from a member under Section 160 of the Act, in writing proposing his candidature for the office of Directors of the Company. The Nomination and Remuneration Committee of the Board ("NRC") has considered his candidature and recommended his appointment as a Non-Executive Non-Independent Director of the Company, who shall be liable to retirement by rotation.

Accordingly, the resolution set out at Item No. 6 of the Notice for the appointment of Mr. Pierre E. Cohade as Director (Non-Executive Non-Independent Director), liable to retire by rotation is placed before the members for approval by way of an Ordinary Resolution.

None of Director, Key Managerial Personnel of the Company or their relatives (except Mr. Pierre E. Cohade and his relatives) are in any way, concerned or interested, in the resolution set out at Item No. 6 of the Notice

A brief profile of Mr. Pierre E. Cohade and the information pursuant to Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 issued by the Institute of Company Secretaries of India is provided in the Corporate Governance Report forming part of the Annual Report.

#### Item No. 7:

The Companies (Cost Records and Audit) Rules, 2014, as amended from time to time, mandate audit of the cost accounting records of the Company in respect of certain products. Accordingly, the Board of Directors, based on the recommendation of the Audit Committee, at its meeting held on April 30, 2018 appointed Messrs D. C. Dave & Co., Cost Accountants (Firm Registration No. 000611), as the Cost Auditor of the Company for the financial year ending March 31, 2019 at a remuneration of ₹ 3,00,000 (Rupees Three Lacs Only) plus applicable taxes and out of pocket expenses, at actual, if any, incurred in connection with the audit. In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor should be ratified by the Members of the Company. Accordingly, approval of the Members is sought by way of Ordinary Resolution set out at Item No. 7 of the Notice for ratification of the remuneration payable to the Cost Auditor for the financial year ending March 31, 2019 as stated above.

The Board recommends the Ordinary Resolution as set out in Item No. 7 of the Notice for approval of the Members.

None of the Director, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested in the resolution set out at item no. 7 of the Notice.

#### Item No. 8:

At the Annual General Meeting held on August 22, 2013, Mr. Arnab Banerjee was appointed as a Whole-time Director (WTD) designated as Executive Director-Operations of the Company, for a period of 5 (five) years with effect from May 7, 2013. His term ended on May 6, 2018. At the meeting of the Board held on April 30, 2018, the Board of Directors upon recommendation of the Nomination and Remuneration Committee re-appointed Mr. Arnab Banerjee as a Whole-time Director (WTD), designated as Executive Director-Operations for a period of 5 (five) years w.e.f. May 7, 2018 to May 6, 2023 on the terms and conditions including remuneration set out in the agreement dated April 30, 2018 and submitted to this meeting.

The remuneration and other terms and conditions of re-appointment of Mr. Arnab Banerjee as Whole-time Director, as set out in the resolution shall be 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 May 7, 2018 and is subject to approval of the members.

# NOTICE

A brief profile of Mr. Arnab Banerjee and the information pursuant to Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 issued by the Institute of Company Secretaries of India is provided in the Corporate Governance Report forming part of the Annual Report.

Pursuant to the provisions of Sections 196, 197 and all other applicable provisions of the Act, including Schedule V, the resolution for re-appointment of Mr. Banerjee as Whole-time Director designated as Executive Director–Operations and payment of remuneration to him as set out at Item No. 8 of the Notice is placed before the members for their approval by way of a Special Resolution.

A copy of the Agreement dated April 30, 2018 entered into with Mr. Banerjee 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 re-appointment of Mr. Banerjee as the Whole-time Director of the Company and the payment of remuneration to him for a further period of five (5) years with effect from May 7, 2018.

The Board recommends the Special Resolution as set out in Item No. 8 of the Notice for approval of the Members.

None of the Directors, Key Managerial Personnel of the Company or their relatives (except Mr. Arnab Banerjee and his relatives) are in any way, concerned or interested in the resolution set out at item no. 8 of the Notice.

Statement as per Part II of Schedule V of the Companies Act, 2013, is as under:

I. General Information:

- 1) Nature of industry: Automobile and Auto-ancillary
- 2) Date or expected date of commencement of commercial production: February 22, 1960
- 3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not applicable
- 4) Financial performance (consolidated) based on given indicators:

Particulars	₹ in lacs	
	2017-18	2016-17
Revenue from operations	6,39,968	6,44,130
Profit before tax	36,732	46,565
Profit for the year	23,329	35,923

5) Foreign investments or collaborations, if any. Detail of Foreign Shareholders as on March 31, 2018 is as under:

Category	Sub-Category	No. of Shareholders	No. of Equity Shares held by them	% to the total capital of the Company
Promoter Group	Foreign Body Corporate	1	17,82,348	4.41%
Public	Foreign Body Corporate	1	14,21,375	3.51%
	Foreign Portfolio Investors	118	90,24,240	22.31%
	Overseas Corporate Body	1	37	00.00%
	Non-Resident Indian	306	1,32,523	0.33%

II. Information about the appointee:

1) Background details:

Mr. Arnab Banerjee, 54 years, was appointed as the Whole-time Director designated as Executive Director-Operations of the Company w.e.f. May 7, 2013. Mr. Banerjee comes with a vast experience and knowledge of FMCG & Paints sector and has more than 25 years of experience having worked in diverse industries at various locations. He has completed graduation from Indian Institute of Technology, Kharagpur in Mechanical Engineering in 1985. Subsequently, he did PGDM from Indian Institute of Management, Calcutta in 1987. Prior to joining CEAT Limited, Mr. Banerjee worked with Berger Paints and Marico Limited.

2) Past remuneration paid:

Description	₹ in lacs	
	2017-18	2016-17
Salary	2,42,60,052	2,33,43,946
Perquisites and Allowances	1,59,589	2,53,308
Others	10,73,180	9,78,477
<b>Total</b>	<b>2,54,92,821</b>	<b>2,45,75,731</b>

3) Recognition or awards: Nil

4) Job profile and his suitability:

At CEAT Limited, Mr. Banerjee spearheads the Sales, Marketing and Manufacturing functions and is responsible for driving revenue in Domestic, Exports & OE markets. He is also developing CEAT as the most Premium, Dynamic and Robust Brand. At the same time, he also handles integrated supply chain of CEAT. He joined CEAT as Vice President-Sales & Marketing on November 21, 2005 and later elevated as the Whole-time Director of the Company designated as Executive Director-Operations w.e.f. May 7, 2013.

5) Remuneration proposed: As per the details mentioned in the Special Resolution in the accompanying Notice.

6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):

The proposed remuneration (duly approved by the Nomination and Remuneration Committee and the

Board) is in line with the trends in the industry and is befitting Mr. Banerjee's competence.

7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any: Except to the extent of employment relationship, no such relationship between Mr. Banerjee with the Company or with managerial personnel. Mr. Banerjee holds 1,207 equity shares in the Company as on March 31, 2018.

III. Other information:

1) Reasons of loss or inadequate profits: Not applicable

2) Steps taken or proposed to be taken for improvement: Not applicable

3) Expected increase in productivity and profits in measurable terms: Not applicable

**Item No. 9:**

Pursuant to Sections 23, 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 members 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 8, 2017, 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 that Annual General Meeting will be valid only till August 7, 2018.

The Board recommends the Special Resolution as set out in Item No. 9 of the Notice for approval of the Members.

# NOTICE

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested in the resolution set out at item no. 9 of the Notice.

## **ITEM 10:**

The members of the Company have at the AGM held on September 26, 2014, accorded their approval for payment of commission on profits to the Non-Executive Directors of the Company at a rate not exceeding 1 per cent of the net profits of the Company in each financial year (computed in the manner provided in Sections 197 and 198 of the Companies Act, 2013).

With the recent change in regulatory landscape, the involvement and participation of the Non-Executive Directors has enhanced to a large extent. The Non-Executive Directors of the Company bring with them significant professional expertise and rich experience across a wide spectrum of functional areas such as marketing, legal, corporate strategy and finance. In order to bring the remuneration of the Non-Executive Directors in line and commensurate with the time devoted and the contribution made by them, the Board of Directors of the Company ('the Board') at the meeting held on April 30, 2018, have recommended for the approval of the members, payment of remuneration by way of commission to the Non-Executive Directors of the Company, as set out in the Resolution.

Accordingly, it is proposed that in terms of section 197 of the Act, the Directors (apart from the Managing Director and Whole-time Directors) be paid such remuneration/commission as recommended by the Nomination and Remuneration Committee

and approved by the Board for each financial year, not exceeding 3 (Three) percent per annum of the net profits of the Company computed in accordance with Section 198 of the Act. This remuneration will be distributed amongst all or some of the Directors in accordance with the directions given by the Board.

The Board recommends the Special Resolution as set out in Item No. 10 of the Notice for approval of the Members.

All the Non-Executive Directors and their relatives are concerned or interested in the Resolution at Item No. 10 set out in the Notice to the extent of the remuneration that may be received by each of them.

**Under the Authority of the Board of Directors**

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

**CEAT Limited**

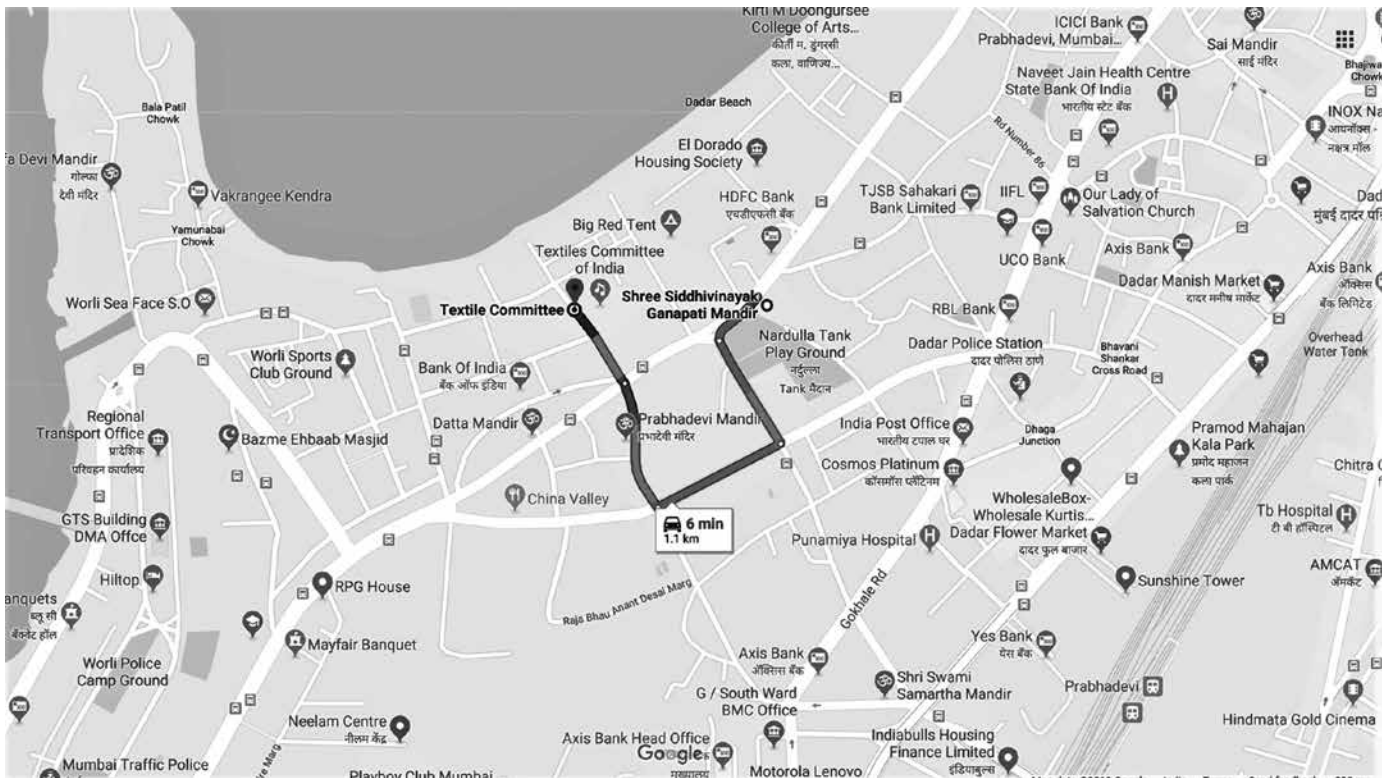
CIN: L25100MH1958PLC011041

Registered Office: 463, Dr. Annie Besant Road, Worli, Mumbai 400 030

Telephone no.: 022-24930621 Fax: 022-25297423

E-mail: [investors@ceat.com](mailto:investors@ceat.com); Website: [www.ceat.com](http://www.ceat.com)

## Route Map for 59th Annual General Meeting



### Venue:

The Auditorium, Textile Committee,  
Next to Trade Plaza (TATA Press),  
P. Balu Road, Prabhadevi Chowk,  
Prabhadevi, Mumbai 400 025

### Prominent Land Mark:

Siddhivinayak Temple, Prabhadevi



# BOARD'S REPORT

To,  
The Members of CEAT Limited

Your Directors are pleased to present their Fifty-Ninth report, together with the Standalone and Consolidated Audited Financial Statements of the Company for the year ended March 31, 2018.

## Financial Highlights

### I. Standalone:

Particulars	₹ in lacs	
	2017-18	2016-17
Total Revenue	6,38,706	6,41,798
Total Expenses (excluding exceptional items)	5,95,100	5,93,800
Profit before Taxation	40,966	46,665
Tax expense:		
– Current Tax	10,408	11,445
– Deferred Tax	2,686	(1,053)
Profit for the period	27,872	36,273
Other Comprehensive Income		
Items that will not be reclassified to profit or loss		
– Actuarial losses for gratuity	1,043	(484)
– Income tax effect on actuarial losses for Gratuity	(361)	167
Items that will be reclassified to profit or loss		
– Movement in cash flow hedges	1,098	(377)
– Income tax effect on movement in cash flow hedges	(380)	131
<b>Total Comprehensive Income for the year</b>	<b>29,272</b>	<b>35,710</b>

### II. Consolidated:

Particulars	₹ in lacs	
	2017-18	2016-17
Total Revenue	6,42,914	6,45,993
Total Expenses (excluding exceptional items)	6,05,087	6,00,932
Profit before Taxation	36,732	46,565
Tax expense:		
– Current Tax	10,639	11,660
– Deferred Tax	2,764	(1,018)
Profit after tax, non-controlling interest and share of profit from Joint Venture	23,798	36,115
Other Comprehensive Income		
Items that will not be reclassified to profit or loss		
– Actuarial losses for gratuity	1,042	(416)
– Income tax effect on actuarial losses for Gratuity	(368)	165
Items that will be reclassified to profit or loss		
– Movement in cash flow hedges	646	73
– Income tax effect on movement in cash flow hedges	(380)	131
– Net Movement in foreign exchange fluctuation reserve	(412)	(64)
<b>Total Comprehensive Income for the year (attributable to equity holders of parent)</b>	<b>24,332</b>	<b>36,004</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 (net of excise duty) of ₹ 6,23,077 lacs with a growth of 8% over ₹ 5,76,651 lacs (net of excise duty) for the last fiscal. The Company recorded a net profit of ₹ 23,797 lacs, a decrease of 34% over net profit of ₹ 36,115 lacs of the last fiscal.

On standalone basis, your Company recorded net revenue from operations (net of excise duty) of ₹ 6,16,134 lacs with an increase of 8% over ₹ 5,70,173 lacs (net of excise duty) of the last fiscal. The Company recorded a net profit of ₹ 27,872 lacs, a decrease of 23% over net profit of ₹ 36,273 lacs of the last fiscal.

### Industry Update

The global economy is experiencing a cyclical recovery, showing signs of a rebound in investment, manufacturing activity and trade. This improvement comes against the backdrop of benign global financial conditions, generally accommodative policies, rising confidence and firming commodity prices. Global growth is expected to be sustained over the next couple of years and even accelerate somewhat in emerging markets and developing economies. Although near-term growth could surprise on the upside, the global outlook is still subject to substantial downside risks, including the possibility of financial stress, increased protectionism and rising geopolitical tensions.

India, though, has emerged as the fastest growing major economy in the world with GDP growth at about 6.7% in FY 2017-18 and is expected to grow above 7.3% in FY 2018-19. The manufacturing sector is estimated to have grown by 4.6% in FY 2017-18 as compared to growth of 7.9% in FY 2016-17.

With improvements in the economic scenario, there have been investments in various sectors of the economy and increased M&A activity and private equity deals. Moody's upgraded India's sovereign rating after 14 years to Baa2 with a stable economic outlook. India has improved its ranking in the World Bank's Doing Business Report by 30 spots over its 2017 ranking. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25% of the GDP from the current 17%. Besides, the Government has also launched the Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

The Indian auto industry is one of the largest in the world. The industry accounts for 7.1% of the country's Gross Domestic Product (GDP). India is also a prominent auto exporter and has strong export growth expectations for the near future. Overall automobile exports grew 15.81% year-on-year between April-February 2017-18.

Indian tyre industry is expected to post a higher volume growth of 8-10% for FY 2017-18. According to ICRA research the growth will be supported by robust growth pick-up across all industry sub-

segments. Automobile production in FY 2017-18 is expected to rise strongly by 14% plus, up from 5.2% in FY 2016-17 and 3.2% in FY 2015-16. Thus, a strong traction in OEM volumes during April 2017-January 2018 coupled with the demand in replacement markets post the Goods and Service Tax (GST) upheaval, have pushed the volume growth estimates for tyres up from an earlier 7-8% to 8-10%.

With stronger than expected volume uptick in Medium and Heavy Commercial Vehicle (M&HCV) tyres (OEM and replacement segments), tyre tonnage demand is estimated to grow by ~8%. In unit terms, Truck and Bus (T&B) replacement demand has grown by 4-5% during FY 2017-18, up from the 3% de-growth in FY 2016-17, supported by pickup in infrastructure activity around the country. While radialization in T&B would promote higher re-treading and therefore could lead to slower demand for new tyres, benefits from the visible trend towards higher tonnage multi-axle vehicles with increasing number of tyres will support T&B volumes.

On the exports front, USA, Germany and the UAE continue to remain the key destinations while South American markets have shown a strong recovery. Exports (in volumes) grew during FY 2017-18, riding on the healthy demand across product segments, mainly premium tyres. Export volumes are estimated to grow by ~8-9% during FY 2019-22 with favourable demand outlook and rising competitiveness of Indian tyre makers. However, low cost Chinese tyres in overseas markets, especially post the removal of Anti Dumping Duty (ADD) by USA on Chinese tyres in February 2017, remains a key challenge.

As for imports, the same has declined by 31% (volume-wise) in FY 2017-18 post demonetization and re-imposition of ADD on import of new Chinese Truck and Bus radial (TBR) tyres for a period of five years effective from September 18, 2017.

Industry revenues grew by a sharp 18.6% (Y-o-Y) during Q3 FY 2017-18 compared to 12.6% growth in the preceding quarter though on a fairly lower base. The quarter also witnessed a strong growth in sales volumes across product categories, especially in the OE segments despite subdued realisations. This was on the back of sharp rise in exports, gradually declining imports and fading impact of GST related concerns.

Industry-wide operating margins had slipped sharply in Q1 FY 2017-18 to four-year lows of ~8% following the sudden spike in both domestic and global natural rubber (NR) prices and higher than normal NR stocking by auto OEs during February/March 2017. However, the margins improved in Q3 FY 2017-18 as NR prices have declined sharply in the last four months ended February 2018 and have remained range-bound at ₹ 125-130/kg. Global NR prices continue to trade at a discount of ~14% averaging at ₹ 117 per kg for 11M FY 2017-18.

The prices of crude derivatives have been gradually rising in recent months, albeit with a lag. After a 33% jump in crude oil price

# BOARD'S REPORT

between October 2017 and January 2018, the same has declined by ~5% in February 2018 with higher US shale oil production in recent months. The prices of synthetic rubber (SR) are up by 29%, carbon black (CB) up by 35%, and caprolactum by 14%. Overall, it is expected that the prices of crude derivatives to rise by over 20% in Q4FY2018 due to the time lag effect of the oil prices increase and CB shortage issues. Further with the additional cess on customs duty of imported products, input costs on imported raw materials are expected to increase from April 2018, though it is expected to be largely passed on. Higher raw material costs will impact the operating margins of players.

Tyre industry is also well aligned with the Make in India campaign of the Government of India. The new Greenfield facilities being set up by tyre manufacturers in India are a reflection of India's growth aspirations and manufacturing capabilities. India has emerged as preferred destination for Greenfield and Brownfield investments in tyre sector.

The leading tyre companies, have their in-house Research and Development (R&D) to not only produce technologically superior tyres but also to meet the diverse requirements. The current R&D spends by tyre majors have increased to 2% of revenue and are fast catching up with the 3.5% spends of the global tyre companies.

## State of Company's Affairs

During the year under review, the Company became the first tyre company in the world, outside Japan, to receive the Deming Prize in 2017. The Deming Prize recognises companies that achieve business transformation by implementing Total Quality Management (TQM). The Deming Prize reinforces and consolidates the Company's reputation as a high-quality producer of tyres and enables the Company to gain ideal partner status for leading automobile companies in the world. Additionally the Company has also been awarded the prestigious "Great Place to work" certification.

During the year under review, the Company has launched a new safety initiative "CEAT Safety Grip", yet another step towards making Mobility Safer and Smarter. Everyday. To ensure safe travel for bike riders against uncertainties during the monsoon season, the Company has launched its newest advertising campaign 'Nehlau', considering the issues faced by the bikers of water splashes and getting drenched owing to the onslaught of larger vehicles moving at high speeds. To overcome the common problem of tyre slippage faced by farmers, the Company's Aayushman tyres offered superior grip leading to better yield and efficiency.

During the year under review, the Company developed 65 new products. Last few years have seen a healthy roll-out of new innovative products across categories. Innovative product launches remained at the forefront to grow business across countries. The Company set up its European technical Centre

at Frankfurt, Germany to focus on break through products for customers and focus on passenger segment.

Pursuing a differentiated strategy, CEAT had shifted its focus away from the large but highly competitive truck and bus tyre segment (T&B) to the faster growing and higher margin segments - 2Ws, Passenger Car Radials (PCR) and Specialty tyres. The Company's revenues from focus segments such as 2W, PCR and Specialty tyres have shown 25% CAGR since FY 2009-10, contributing 50% to revenues in first half of FY 2017-18 compared to 20% in FY 2009-10. CEAT's market share in 2Ws tyre replacement has increased from ~10% in FY 2010-11 to ~30%.

The Company's network currently extends to more than 4,500 dealers and over 30,000 sub-dealers. The Company currently has 4 manufacturing facilities at Bhandup, Nashik, Nagpur and Halol and is setting up a green field project. It has its representative offices at Indonesia, Germany and the United Arab Emirates to serve customers in foreign markets. It also operates a plant for manufacture of specialty tyres through its wholly owned subsidiary CEAT Specialty Tyres Limited.

Exports volume increased by 14.1% during the first half of FY 2017-18. In value terms, the growth in exports came a bit lower at 13.3%, as realisations remained moderate and the pricing was controlled by softened raw material prices.

The Company was also awarded with the 'IAA Indian Awards 2017 for the Best Ad Film (HAATH DIKHAO – CEAT CAR TYRES) in the Auto category. The Company during the year became the title sponsor of Ultimate Table Tennis. The Company partnered with MMRDA to eliminate the nuisance of potholes during rainy season by filling these potholes with bitumen and the rubber from the Company's old tyres. During the year under review, the Company tied up with a young cricket batsman, Shubman Gill and one of the most prolific all-rounders in women's cricket, Harmanpreet Kaur, a valuable addition to Team CEAT, which already has the likes of Rohit Sharma, Ajinkya Rahane and Ishaan Kishan on board.

While continuing the journey towards the purpose of the Company 'making Mobility Safer and Smarter Everyday', the Company has taken a pledge that the Company's products, services will solve core problem of its customers. The Company will give safety its rightful place first on the Indian roads which are some of the most treacherous in the world and then build on the good work in all the markets the Company touches.

## 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, 2018.

The amount lying in the Unpaid Dividend Account of the company in respect of the last seven years as on March 31, 2018 is as follows:

Financial Year	Amount in ₹
2010-11	8,86,628.00
2011-12	4,74,367.00
2012-13	37,86,620.00
2013-14	29,41,560.00
2014-15	26,89,740.00
2015-16	29,85,687.50
2016-17	33,68,350.00

The above dividends are due for transfer to Investor Education and Protection Fund after completion 7 years from the respective dates of payment. During the year under review, the Company has transferred ₹ 14,76,080 to the Investor Education and Protection Fund.

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, 2018 to which the financial statements relates and the date of this Report.

### Capacity Expansion

The Company is setting up a greenfield manufacturing capacity with an estimated investment of over ₹ 2,000 crores to be incurred over the next three to five years and an initial capacity of the project is ~250 MTD for manufacture of passenger car radial tyres including motor cycle radial tyres. The Company also plans to utilize the proposed plant for exports. Civil work for the first phase of the project has begun and the plant is expected to begin production in the next twelve months.

During the year under review, the Company through its wholly owned subsidiary CEAT Specialty Tyres Limited commenced commercial production at the Ambernath plant for manufacture of off-the-road tyres for the specialty segment.

### Future Outlook

The global tyre volume is likely to reach 2.7 bn units by 2022. At the same time, upheavals in the world tyre supply with an array of high-growth opportunities and new technologies are helping foster new areas of opportunity in the industry. The growth is

motivated by strong economic upturn and vehicle production and replacement demand from a wide variety of end-users globally. Rapid advancements in technology and the growing demand for environmentally viable tyres have augmented the growth of the market.

Optimistic economic outlook, booming auto sales, fast development of road infrastructure, huge investment in capacity creation, rising demand from the young population, expanding middle-class etc. are set to drive growth of the Indian tyre industry. The government in Budget FY 2018-19 has allocated higher investment towards infrastructure development (from ₹ 4.94 lacs crores to ₹ 5.97 lacs crores). This, coupled with policy measures to simplify faster road construction, will strengthen the road transport infrastructure. This, in turn, is expected to augment the offtake of all kinds of tyres.

With the government’s focus on GST, emission norms and safety standards, the Indian automotive industry is likely to experience significant technology advancements over the next four to five years. Technology-driven trends could revolutionise the way industry players respond to changing consumer behaviour, while developing partnerships and driving transformational change.

### 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, (AGHL), 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 <https://www.ceat.com/corporate/investor/corporate-governance>.

### 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 and equipments, which find application across industries including ports, construction, mining and agriculture. During the year under review, CSTL commenced commercial production at its facility at Ambernath in the State of Maharashtra. CSTL has set up an overseas subsidiary viz. CEAT Specialty Tires Inc. in USA.

During the year under review, CSTL registered a revenue of ₹ 26,666 lacs (Previous year ₹ 22,417 lacs) and a net loss of ₹ 3716 lacs in FY 2017-18 (Previous year ₹ 1,003 lacs).

# BOARD'S REPORT

## Rado Tyres Limited

Rado Tyres Limited (RTL), having its two-three-wheeler tyres manufacturing facility at Kothamangalam, Kerala supplies its entire production of automotive tyres (two-three-wheeler) to the Company. During the year under review, RTL registered a revenue of ₹ 31 lacs as compared to a revenue of ₹ 898 lacs in FY 2016-17, registering a de-growth of 96.55%, largely due to cessation of production at the factory. The net loss for the year under review has gone up to ₹ 870 lacs from ₹ 124 lacs in the previous year, mainly due to stoppage of production and payment of VRS to all its employees. Consequent to the stoppage of production on March 20, 2017, the production tickets for FY 2017-18 have been Nil and only the prevailing inventory was dispatched from Rado factory.

## 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 of LKR 52,078 lacs (₹ 21,882 lacs) as compared to LKR 47,053 lacs (₹ 21,406 lacs) in FY 2016-17. However, the profit after tax has reduced by 9.16% to LKR 5,664 lacs (₹ 2,380 lacs) as compared to LKR 6,235 lacs (₹ 2,837 lacs) in FY 2016-17. 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 LKR 4,563 (₹ 1927 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 4 (four) years. For the year under review, the revenue of CAL is BDT 7,504 lacs (₹ 5,917 lacs) as compared to BDT 6,586 lacs (₹ 5,619 lacs) in FY 2016-17. The net loss for the year under review is BDT 422 lacs (₹ 363 lacs) as compared to the net loss of previous year BDT 522 lacs (₹ 470 lacs).

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

## Associate Company-

During the year under review, Tyresmore Online Private Limited (TNM), a private limited company incorporated on June 2, 2014

having its registered office in New Delhi engaged in the business of selling automotive tyres, accessories and providing services of installing, fitting, wheel balancing and wheel alignment for automotive tyres has become an associate of the Company. The Company has on June 23, 2017 acquired approximate 31.93% of the fully diluted share capital of TNM by investing ₹ 400 lacs through subscription of 50,855 Compulsorily Convertible Preference Shares ("CCPS") of face of ₹ 1 each and 100 Equity Shares of face of ₹ 1 each of TNM.

During the year under review TNM registered a revenue of ₹104 lacs and a net loss/profit of ₹ 112 lacs in FY 2017-18.

## 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 associate/joint venture 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 Enterprise 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.

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 the provisions of the Companies Act, 2013. The Committee consists of following members:

Mr. Anant Vardhan Goenka (Managing Director)  
Mr. Hari L. Mundra (Non-Executive Non-Independent Director) and  
Mr. Vinay Bansal (Non-Executive Independent Director)

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 FY 2017-18, the project screened 1,45,744 people through 1,540 Eye Camps and 249 days of Vision Centre, distributed over 74,498 spectacles and made 10,768 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, two-wheeler delivery executives and entrepreneurial ventures. 645 women completed their training for Four-wheeler driving and 303 women completed their training for Two-Wheeler riding. These women are in the process of procuring their Permanent Driving Licenses. These women were trained across Mumbai, Nagpur, Chennai, Delhi, Indore, Bhopal, Jaipur, etc.

**Road Smarrt** - In line with the motto of safety, the Company launched "Road Smarrt" to advocate safe driving and prevention of road fatalities. The project started in FY 2016-17 and completed in FY 2017-18. The Company targeted school children and parents to create awareness amongst children who are the future road users. The Company launched sessions in 312 schools reaching over 1.27 lacs children and also provided Defensive Driving training to 1000 Drivers.

**Pehlay Akshar (Schooling)**- The project focuses on Primary Education with emphasis on English speaking and reading skills to enhance employability. The initiative reached out to 3,000 students across 16 schools in Mumbai, Halol and Nashik.

**Pehlay Akshar School Enrichment Program (Pehlay Akshar – Training)**- The project focuses on transformation of public education by helping teachers to develop "Magic classrooms" where children feel safe and are encouraged to learn. In FY 2017-18, the program trained 989 teachers from government and municipal schools. This included 3 training sessions spread across the academic year with weekly group coaching sessions that focused on implementing the 'Magic Classroom' principles in the schools.

**Jeevan**– The project focuses on improving quality of life in areas of clean drinking water, health and nutrition. Through the project, 50 sessions on adolescent health were conducted covering 500 children.

At Panchmahal district in Gujarat, 1,200 children in schools were provided highly nutritious snacks before the mid-day meal as a

proactive effort to reduce malnourishment. As a part of developing alternate livelihoods, this intervention also supported 50 women, who were trained to develop these nutritious snacks, and supply them to the 1,200 children. This project was undertaken jointly by all RPG Group of Companies having facilities in Gujarat (CEAT, KEC International and Raychem RPG).

**Employability Skill Development (Project-Saksham)/ (Project Sanjeevani)** – These two projects are skill development programs that aim to provide livelihoods training to empower women and youth and enable them to take up employment that can transform their lives.

**Saksham**- During the year under review, 170 less privileged women and youth were trained in two-wheeler repairing, mobile repairing, motor rewinding and as beauty advisors.

**Sanjeevani**- The project trained 250 less privileged women and youth in bed side assistant/patient care assistant programs as an alternate livelihood option in the communities around the Company's plants. 50 candidates were trained in Halol location, the training of which has been undertaken jointly by the RPG Group of Companies having facilities in Gujarat (CEAT, KEC International and Raychem RPG).

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 contributed the entire amount of ₹ 1070.93 lacs to RPG Foundation, the implementing agency towards CSR activities during the FY 2017-18.

### **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 <https://www.ceat.com/corporate/investor#corporate-governance>.

### **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 Company has not entered into any transactions with related parties during the year under review which required reporting in Form AOC-2 in terms of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014.

# BOARD'S REPORT

## Share Capital

The paid up equity capital of the Company as on March 31, 2018 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 is affirmed/assigned as "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.

The ratings on Non convertible Debentures issue of the Company have been reaffirmed as "AA" with "Stable" outlook by the CARE Rating Limited, a Rating Agency ("CARE").

The ratings on Commercial Paper issue of the Company have been reaffirmed as A1+ by CARE.

## 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 C".

## 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 D" 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 E" and forms part of this report.

## Fixed Deposits

There are no deposits outstanding as on March 31, 2018 nor the Company has accepted any fresh deposits during the year under review which are not in compliance with the requirements of the Act.

There were no defaults in respect of repayment of any deposits or payment of interest thereon.

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

During year under review Mr. Pierre E. Cohade, was appointed as an Additional Director (Non-Executive, Non Independent Director) on the Board of the Company by the Board of Directors at its meeting held on February 1, 2018. He would therefore hold office up to the date of the ensuing Annual General Meeting (AGM). However, the Company has received a Notice from one of its member proposing the appointment of Mr. Cohade as a Director (Non-Executive Non Independent) of the Company and such appointment has also been recommended by the Nomination and Remuneration Committee of the Board of Directors of the Company. Accordingly, it is proposed to appoint Mr. Cohade as a Director (Non-Executive Non Independent) liable to retire by rotation.

Mr. Vinay Bansal, Mr. Atul C. Choksey, Mr. S. Doreswamy, Mr. Mahesh S. Gupta, Mr. Haigreave Khaitan, Mr. Ranjit V. Pandit, Mr. 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.

Mr. Anant Vardhan Goenka, Managing Director and Mr. Arnab Banerjee, Executive Director-Operations do not receive any profit related commission from any of the subsidiary of the Company.

The Board at its meeting held on March 26, 2018, considered and approved the re-appointment of Mr. Arnab Banerjee as Whole-time Director (WTD) of the company, designated as Executive Director – Operations, for a period of 5 (five) years w.e.f May 7, 2018 to May 6, 2023, subject to approval of shareholders at the ensuing general meeting of the Company.

In accordance with the Companies Act, 2013 and Articles of Association of the Company, Mr. Hari L. Mundra 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**

The Board at its meeting held on March 26, 2018 approved re-appointment of Mr. Arnab Banerjee as the Whole-time Director, designated as the Executive Director-Operations for a further period of 5 (five) years with effect from May 7, 2018 to May 6, 2023 subject to the approval by the shareholders at the ensuing Annual General Meeting. Mr. Anant Vardhan Goenka was reappointed as the Managing Director for a period of 5 (five) years by the members at the Annual General Meeting held on August 8, 2017.

Mr. Kumar Subbiah and Ms. Shruti Joshi have been appointed as the Chief Financial Officer and Company Secretary respectively.

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 familiarization 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 is posted on the website of the Company at the link [corporate/investor#corporate-governance](#).

### **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 F”.

### **Evaluation of Board, Its Committees and Directors**

For the purpose of evaluation, the Board had finalised a questionnaire and engaged a third party HR Craft Business Consulting Private Limited 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, 5 (five) Board Meetings were convened and held on April 28, 2017, August 3, 2017, November 14, 2017, February 1, 2018 and March 26, 2018. 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.

### **Discolure Under Secretarial Standards on Meeting of Board of Directors (Ss-1):**

During the year under review, the company has complied with all the applicable Secretarial Standards.

### **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, Special Investments/Project Committee and Committee of Directors, number of meetings held during the year under review



# BOARD'S REPORT

and other related details are set out in the Corporate Governance Report which forms 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 is given in the Corporate Governance Report which forms part of this 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, 2018 and the Statement of Profit and Loss for the said financial year ended March 31, 2018.
- 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 August 8, 2017 appointed Messrs S R B C & CO LLP as the Statutory Auditors for a second term of 5 (five) consecutive years from the conclusion of the Fifty-Eighth Annual General Meeting to the conclusion of the Sixty-Third Annual General Meeting subject to ratification of their appointment every year. They have confirmed that their appointment, if ratified at the ensuing AGM, will 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, 2019 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, 2018, 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 G"**.

## Cost Auditors

The Board of Directors has appointed Messrs D. C. Dave & Co., Cost Accountants, (Membership No. M7759) as Cost Auditors of the Company for FY 2018-19 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 are 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 except for reporting a delay in transfer of certain amount relating to unclaimed matured deposits and interest thereon. The delay was inadvertent.

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.

### **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**

The Values of the Company and Quality Base Management define the way of working at the Company. The Company continues to use innovative methods to embed behaviours led by values in the organisation. A unique campaign 'Leader Speak Series' was launched on WhatsApp and email. This had senior management speak about people that exemplify the Company's values.

During the year under review, the Company was recognised as a "Great Place To Work – Certified" by the Great Place to Work Organisation. This is a combination of feedback given by the Company's employees and the strong people practices which is the foundation of the people philosophy in the Company. The Company believes in a culture of inclusion, trust, empowerment and development for employees. This year the Company focussed on building gender sensitivity across our Manufacturing Locations by using an innovative medium of interactive theatre to engage and educate the associates.

In our journey to build best in class sales force, through our Sales Academy, the Company trained its entire field force on processes, product features and benefits. This has resulted in significant improvement of the overall competence across our sales organisation. The Company continues to invest significantly in building a culture of Coaching and Mentoring through number of structured interventions, and have improved the penetration of this intervention.

In the journey towards making the Company a fun place to work, in-house talent show "CEAT's Got Talent" was introduced which showcased talent across the organisation.

### **Disclosure Under Sexual Harrassment 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 no complaints were received.

### **Acknowledgment**

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 30, 2018

# 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.

**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 payout, 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 Corporate Social Responsibility (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 Corporate Social Responsibility (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 Millennium Development Goals (MDGs) 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: <https://www.ceat.com/corporate/investor/corporate-governance>.

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: ₹ 53,547 lacs

Sr.	Computation of Profit for CSR	Amount (₹ In lacs)
1.	Net profit as per section 198:	
	• FY 2014-15	46,516
	• FY 2015-16	64,354
	• FY 2016-17	49,771
2.	Average Net Profit of last 3 years	53,547
3.	Funds to be allocated for CSR	1,071

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 1,071 lacs.

5. Details of CSR spent during the financial year.

a. Total amount to be spent for the financial year ₹ 1,071 lacs (Amount contributed to RPG Foundation, the Implementing Agency);

b. Amount unspent, if any; Nil

(₹ 129 lacs remained unspent by RPG Foundation, the Implementing Agency)

c. Manner in which the amount spent during the financial year is detailed below.

(₹ 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)	64	43	43	43
2	Pehlay Akshar School Enrichment Program (PASEP)	Teachers' Training	Worli	54	39	39	39
2	Swayam	Women Empowerment	Mumbai, Nashik, Nagpur, Thane(MH), Jaipur, Delhi, Indore, Bhopal, Chennai.	110	145	145	145
3	Saksham	Employability Skill Development	Bhandup, Mumbai (MH) Nashik (MH) Halol (GJ)	19	14	14	14
4	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, Vavi Mumbai, Kolkatta, Gaziabad, Noida, Bangalore	407	405	405	405
5	Jeevan	Community Development	Bhandup, Nashik, Mumbai (MH)	36	55	55	55
6	Sanjeevani	Health Care Professionals Training	Bhandup, Nashik & Halol	30	48	48	48
8	Road Smarrt	Road Safety Program	Mumbai	85	120	120	120
9	Digital Literacy			34	11	11	11
10	Integrated Community Development Centre – Halol			34	25	25	25
11	Opex			82	37	37	37
12	Unallocated			116			
				<b>1,071</b>	<b>942</b>	<b>942</b>	<b>942</b>

Paid to Implementing agency (IA), RPG Foundation. At the year end, ₹ 129 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

**Vinay Bansal**  
(Member- CSR Committee)  
DIN: 01674284

Place: Mumbai  
Date: April 30, 2018

# ANNEXURE C

## Form MGT-9

### EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2018

[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 having Share Capital
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: <a href="mailto:investors@ceat.com">investors@ceat.com</a> Web: <a href="http://www.ceat.com">www.ceat.com</a>
vi. Whether listed Company	Yes (The National Stock Exchange of India 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: <a href="mailto:csg-unit@tsrdarashaw.com">csg-unit@tsrdarashaw.com</a> Web: <a href="http://www.tsrdarashaw.com">www.tsrdarashaw.com</a> 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:-

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Manufacturing 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	87.62%	2(87)
5	Tyresmore Online Private Limited, India	U25119DL2014PTC267768	Associate	31.93%	2(6)

#### 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. 01.04.2017				No. of Shares held at the end of the year i.e. 31.03.2018				% 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	1,48,117	0	1,48,117	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	1,86,03,273	0	1,86,03,273	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)									
(j) Trust	5	0	5	0.00	6	0	6	0.00	0.00
<b>Sub-Total (A) (1)</b>	<b>1,87,51,396</b>	<b>0</b>	<b>1,87,51,396</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>
<b>(2) Foreign</b>									
(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	17,82,348	0	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)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-Total (A) (2)</b>	<b>0</b>	<b>17,82,348</b>	<b>17,82,348</b>	<b>4.41</b>	<b>17,82,348</b>	<b>0</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>1,87,51,396</b>	<b>17,82,348</b>	<b>2,05,33,744</b>	<b>50.77</b>	<b>2,05,33,744</b>	<b>0</b>	<b>2,05,33,744</b>	<b>50.77</b>	<b>0.00</b>
<b>(B) Public Shareholding</b>									
<b>(1) Institutions</b>									
(a) Mutual Funds / UTI	20,07,594	12,550	20,20,144	4.99	36,13,552	9,198	36,22,750	8.96	3.96
(b) Financial Institutions / Banks	22,942	5,113	28,055	0.07	1,05,403	4,822	1,10,225	0.27	0.20
(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	9,79,281	75	9,79,356	2.42	10,03,117	75	10,03,192	2.48	0.06
(f) Foreign Institutional Investors	19,93,725	7,610	20,01,335	4.95	67,881	2,436	70,317	0.17	(4.77)
(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)	76,71,613	0	76,71,613	18.97	89,53,923	0	89,53,923	22.14	3.17
(j) Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-Total (B) (1)</b>	<b>1,26,75,155</b>	<b>35,048</b>	<b>1,27,10,203</b>	<b>31.42</b>	<b>1,37,43,876</b>	<b>26,231</b>	<b>1,37,70,107</b>	<b>34.04</b>	<b>2.62</b>
<b>(2) Non-Institutions</b>									
(a) Bodies Corporate	7,66,535	20,553	7,87,088	1.95	4,03,056	17,719	4,20,775	1.04	(0.91)
<b>(b) Individuals -</b>									
i Individual shareholders holding nominal share capital upto ₹ 1 lakh	30,56,919	6,26,567	36,83,486	9.11	29,93,110	5,28,062	35,21,172	8.70	(0.40)
ii Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,89,007	0	1,89,007	0.47	28,932	0	28,932	0.07	(0.40)
(c) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(d) Any Other	0	0	0	0.00	0	0	0	0.00	0
<b>(c) Trusts</b>									
i Trusts	93,658	0	93,658	0.23	1,736	0	1,736	0.00	(0.23)
ii Alternate Investment Fund	10,250	0	10,250	0.03	7,000	0	7,000	0.02	(0.01)
iii Non-Resident Indian NRI	1,62,358	229	1,62,587	0.40	1,32,375	148	1,32,523	0.33	(0.07)
iv IEPF	0	0	0	0.00	2,04,838	0	2,04,838	0.51	0.51



# ANNEXURE C

Category of Shareholders	No. of Shares held at the beginning of the year i.e. 01.04.2017				No. of Shares held at the end of the year i.e. 31.03.2018				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
v HUF	1,10,909	0	1,10,909	0.27	83,086	0	83,086	0.21	(0.07)
vi Unclaimed Securities Suspense Account or escrow account	1,37,464	0	1,37,464	0.34	19,351	0	19,351	0.05	(0.29)
vii Director & relatives	3,000	7	3,007	0.01	4,200	7	4,207	0.01	0.00
viii Foreign Companies	14,21,375	37	14,21,412	3.51	14,21,375	37	14,21,412	3.51	0.00
ix LLP	29,792	0	29,792	0.07	12,576	0	12,576	0.03	(0.04)
x Bodies Corporate-NBFC	9,881	0	9,881	0.02	2,449	0	2,449	0.01	(0.02)
xi Clearing Members	5,67,604	0	5,67,604	1.40	2,86,184	0	2,86,184	0.71	(0.70)
<b>Sub-total (B) (2)</b>	<b>65,58,752</b>	<b>6,47,393</b>	<b>72,06,145</b>	<b>17.81</b>	<b>56,00,268</b>	<b>5,45,973</b>	<b>61,46,241</b>	<b>15.19</b>	<b>(2.62)</b>
<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	<b>1,92,33,907</b>	<b>6,82,441</b>	<b>1,99,16,348</b>	<b>49.24</b>	<b>1,93,44,144</b>	<b>5,72,204</b>	<b>1,99,16,348</b>	<b>49.24</b>	<b>0.00</b>
<b>TOTAL (A)+(B)</b>	<b>3,79,85,303</b>	<b>24,64,789</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>3,98,77,888</b>	<b>5,72,204</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	0.00	0	0.00	0	0	0.00
<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>3,79,85,303</b>	<b>24,64,789</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>3,98,77,888</b>	<b>5,72,204</b>	<b>4,04,50,092</b>	<b>100.00</b>	<b>0.00</b>

## ii) Shareholding of Promoters

Serial No.	Shareholder's Name	Shareholding at the beginning of the year 01.04.2017			Shareholding at the end of the year 31.03.2018			% 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	Chattarpati Investments Limited	2,75,876	0.68	0.00	0	0.00	0.00	(0.68)
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 Investissements En Asie S A Spf	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
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. H. V. 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	1	0.00	0.00	1	0.00	0.00	0.00
10	Mr. H. V. Goenka (in the Capacity of Trustee of Secura India Trust)	1	0.00	0.00	1	0.00	0.00	0.00
11	Mr. H. V. Goenka (in the Capacity of Trustee of Steller Energy Trust)	1	0.00	0.00	1	0.00	0.00	0.00
12	Mr. H. V. Goenka (in the Capacity of Trustee of Nucleus Life Trust)	1	0.00	0.00	1	0.00	0.00	0.00
13	Mr. H. V. Goenka (in the Capacity of Trustee of Crystal India Tech Trust)	1	0.00	0.00	1	0.00	0.00	0.00
14	Mr. H. V. Goenka (in the Capacity of Trustee of Monitor Portfolio Trust)	1	0.00	0.00	1	0.00	0.00	0.00
15	Mr. H. V. Goenka (in the Capacity of Trustee of Prism Estates Trust)	0	0.00	0.00	1	0.00	0.00	0.00
16	Chattarpati Apartments LLP	0	0.00	0.00	2,75,876	0.68	0.00	0.68
		<b>2,05,33,744</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>

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

SI No.		Shareholding at the Beginning of the year 01.04.2017 end of the year 31.03.2018		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>2,05,33,744</b>	<b>50.77</b>	<b>01.04.2017</b>	<b>-</b>	<b>-</b>	<b>2,05,33,744</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	Chattarpati Investments Limited	2,75,876	0.68	26.05.2017	Decrease	Converted into LLP	0	-
2	Chattarpati Apartments LLP	0	-	26.05.2017	Increase	Converted into LLP	2,75,876	-
	<b>At the end of the year</b>	<b>2,05,33,744</b>	<b>50.77</b>	<b>31.3.2018</b>			<b>2,05,33,744</b>	<b>50.77</b>

**iv) Shareholding pattern of top ten Shareholders as on March 31, 2018 (other than Directors, Promoters and Holders of GDRs and ADRs)**

SI No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2017 end of the year 31.03.2018		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>32,53,841</b>	<b>8.04</b>	<b>01.04.2017</b>				
		<b>32,53,841</b>	<b>8.04</b>	<b>31.03.2018</b>				
2	Mirae Asset Tax Saver Fund	<b>12,98,891</b>	<b>3.21</b>	<b>01.04.2017</b>				
				07.04.2017	15,000	Market Purchase	13,13,891	3.25
				05.05.2017	35,000	Market Purchase	13,48,891	3.33
				19.05.2017	(55,100)	Market Sale	12,93,791	3.20
				26.05.2017	35,000	Market Purchase	13,28,791	3.29
				04.08.2017	(140,000)	Market Sale	11,88,791	2.94
				11.08.2017	82,000	Market Purchase	12,70,791	3.14
				18.08.2017	2,000	Market Purchase	12,72,791	3.15
				25.08.2017	2,000	Market Purchase	12,74,791	3.15
				27.10.2017	1,254	Market Purchase	12,76,045	3.15
				17.11.2017	71,846	Market Sale	13,47,891	3.33
				24.11.2017	50,000	Market Purchase	13,97,891	3.46
				01.12.2017	20,000	Market Purchase	14,17,891	3.51
				08.12.2017	42,500	Market Purchase	14,60,391	3.61
				15.12.2017	3,000	Market Purchase	14,63,391	3.62
				22.12.2017	3,000	Market Purchase	14,66,391	3.63
				29.12.2017	(9,000)	Market Sale	14,57,391	3.60
		05.01.2018	3,000	Market Purchase	14,60,391	3.61		
		19.01.2018	2,500	Market Purchase	14,62,891	3.62		
		02.02.2018	7,500	Market Purchase	14,70,391	3.64		
		30.03.2018	4,000	Market Purchase	14,74,391	3.64		
		<b>14,74,391</b>	<b>3.64</b>	<b>31.03.2018</b>				
3	Westbridge Crossover Fund, LLC	<b>14,21,375</b>	<b>3.51</b>	<b>01.04.2017</b>				
		<b>14,21,375</b>	<b>3.51</b>	<b>31.03.2018</b>				

# ANNEXURE C

SI No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2017 end of the year 31.03.2018		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	Tata Aia Life Insurance Co. Ltd.	<b>3,20,469</b>	<b>0.79</b>	<b>01.04.2017</b>				
				14.03.2017	23,660	Market Purchase	3,44,129	0.85
				14.05.2017	7,500	Market Purchase	3,51,629	0.87
				19.05.2017	(22,450)	Market Sale	3,29,179	0.81
				26.05.2017	(51,000)	Market Sale	2,78,179	0.69
				23.06.2017	(23,505)	Market Sale	2,54,674	0.63
				07.07.2017	(31,422)	Market Sale	2,23,252	0.55
				04.08.2017	(123)	Market Sale	2,23,129	0.55
				01.09.2017	(3)	Market Sale	2,23,126	0.55
				15.09.2017	(6)	Market Sale	2,23,120	0.55
				24.11.2017	55,265	Market Purchase	2,78,385	0.69
				22.12.2017	1,00,000	Market Purchase	3,78,385	0.94
				16.02.2018	71,000	Market Purchase	4,49,385	1.11
				<b>4,49,385</b>	<b>1.11</b>	<b>31.3.2018</b>		
5	Tata Young Citizens Fund	<b>3,71,400</b>	<b>0.92</b>	<b>01.04.2017</b>				
				07.04.2017	22,850	Market Purchase	3,94,250	0.97
				05.05.2017	(70,000)	Market Sale	3,24,250	0.80
				19.05.2017	1,500	Market Purchase	3,25,750	0.81
				26.05.2017	(33,000)	Market Sale	2,92,750	0.72
				09.06.2017	(4,450)	Market Sale	2,88,300	0.71
				21.07.2017	(67,100)	Market Sale	2,21,200	0.55
				28.07.2017	2,000	Market Purchase	2,23,200	0.55
				04.08.2017	45,000	Market Purchase	2,68,200	0.66
				08.08.2017	47,450	Market Purchase	3,15,650	0.78
				11.08.2017	4,000	Market Purchase	3,19,650	0.79
				25.08.2017	1,000	Market Purchase	3,20,650	0.79
				08.09.2017	1,500	Market Purchase	3,22,150	0.80
				15.09.2017	1,000	Market Purchase	3,23,150	0.80
				22.09.2017	1,000	Market Purchase	3,24,150	0.80
				29.09.2017	4,000	Market Purchase	3,28,150	0.81
				06.10.2017	10,000	Market Purchase	3,38,150	0.84
				27.10.2017	2,000	Market Purchase	3,40,150	0.84
				01.11.2017	9,625	Market Purchase	3,49,775	0.86
				24.11.2017	7,000	Market Purchase	3,56,775	0.88
				08.12.2017	2,500	Market Purchase	3,59,275	0.89
				15.12.2017	10,000	Market Purchase	3,69,275	0.91
				05.01.2018	4,600	Market Purchase	3,73,875	0.92
		12.01.2018	1,000	Market Purchase	3,74,875	0.93		
		26.01.2018	20,000	Market Purchase	3,94,875	0.98		
		09.02.2018	19,000	Market Purchase	4,13,875	1.02		
		23.02.2018	16,500	Market Purchase	4,30,375	1.06		
		23.03.2018	8,200	Market Purchase	4,38,575	1.08		
		<b>4,38,575</b>	<b>1.08</b>	<b>31.03.2018</b>				
6	Mirae Asset India Mid Cap Equity Fund	<b>0</b>	<b>0.00</b>	<b>01.04.2017</b>				
				08.12.2017	1,871	Market Purchase	1,871	0.00
				15.12.2017	1,43,776	Market Purchase	1,45,647	0.36
				22.12.2017	1,75,384	Market Purchase	3,21,031	0.79
				29.12.2017	76,802	Market Purchase	3,97,833	0.98
		<b>3,97,833</b>	<b>0.98</b>	<b>31.03.2018</b>				

Sl No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2017 end of the year 31.03.2018		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
7	Aditya Birla Sun Life Trustee Private Limited	0	0.00	<b>01.04.2017</b>				
				01.09.2017	19,600	Market Purchase	19,600	0.05
				08.09.2017	7,000	Market Purchase	26,600	0.07
				15.09.2017	2,800	Market Purchase	29,400	0.07
				09.02.2018	1,11,000	Market Purchase	1,40,400	0.35
				16.02.2018	1,45,400	Market Purchase	2,85,800	0.71
				23.03.2018	50,000	Market Purchase	3,35,800	0.83
				30.03.2018	50,000	Market Purchase	3,65,800	0.90
		<b>3,65,800</b>	<b>0.90</b>	<b>31.03.2018</b>				
8	IDFC Classic Equity Fund	<b>1,38,800</b>	<b>0.34</b>	<b>01.04.2017</b>				
				07.04.2017	(7,700)	Market Sale	1,31,100	0.32
				14.04.2017	(51,100)	Market Sale	80,000	0.20
				05.05.2017	(22,400)	Market Sale	57,600	0.14
				12.05.2017	(35,000)	Market Sale	22,600	0.06
				26.05.2017	(22,600)	Market Sale	0	0.00
				21.07.2017	(41,300)	Market Sale	41,300	0.10
				08.08.2017	(7,319)	Market Sale	33,981	0.08
				11.08.2017	1,27,129	Market Purchase	1,61,110	0.40
				18.08.2017	30,873	Market Purchase	1,91,983	0.47
				25.08.2017	19,000	Market Purchase	2,10,983	0.52
				01.09.2017	7,000	Market Purchase	2,17,983	0.54
				31.10.2017	43,400	Market Purchase	2,61,383	0.65
				03.12.2017	37,100	Market Purchase	2,98,483	0.74
				10.11.2017	(3,000)	Market Sale	2,95,483	0.73
				17.11.2017	(10,850)	Market Sale	2,84,633	0.70
				24.11.2017	(1,557)	Market Sale	2,83,076	0.70
				01.12.2017	5,767	Market Purchase	2,88,843	0.71
				08.12.2017	39,390	Market Purchase	3,28,233	0.81
				15.12.2017	(33,950)	Market Sale	2,94,283	0.73
				22.12.2017	(9,450)	Market Sale	2,84,833	0.70
				29.12.2017	31,500	Market Purchase	3,16,333	0.78
				12.01.2018	16,450	Market Purchase	3,32,783	0.82
				09.02.2017	(16,100)	Market Sale	3,16,683	0.78
				02.03.2018	11,650	Market Purchase	3,28,333	0.81
				09.03.2018	21,750	Market Purchase	3,50,083	0.87
		<b>350,083</b>	<b>0.87</b>	<b>31.03.2018</b>				
9	Emerging Markets Core Equity Portfolio (The Portfolio) Of Dfa Investment Dimensions Group Inc. (Dfaidg)	<b>3,30,574</b>	<b>0.82</b>	<b>01.04.2017</b>				
				27.10.2017	5,227	Market Purchase	3,35,801	0.83
				22.12.2017	13,999	Market Purchase	3,49,800	0.86
				16.03.2018	(7,362)	Market Sale	3,42,438	0.85
				23.03.2018	(5,578)	Market Sale	3,36,860	0.83
				30.03.2018	(3,046)	Market Sale	3,33,814	0.83
		<b>3,33,814</b>	<b>0.83</b>	<b>31.03.2018</b>				
10	Axis Mutual Fund Trustee Limited A/C Axis Mutual Fund A/C Axis Midcap Fund	<b>98,000</b>	<b>0.24</b>	<b>01.04.2018</b>				
				07.04.2017	37,000	Market Purchase	1,35,000	0.33
				14.04.2017	33,483	Market Purchase	1,68,483	0.42
				21.04.2017	(93,000)	Market Sale	75,483	0.19
				28.04.2017	69,334	Market Purchase	1,44,817	0.36
				05.05.2017	683	Market Purchase	1,45,500	0.36
				12.05.2017	72,867	Market Purchase	2,18,367	0.54

# ANNEXURE C

SI No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year 01.04.2017/end of the year 31.03.2018		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
				19.05.2017	31,233	Market Purchase	2,49,600	0.62
				26.05.2017	4,900	Market Purchase	2,54,500	0.63
				02.06.2017	1,74,500	Market Purchase	4,29,000	1.06
				09.06.2017	32,500	Market Purchase	4,61,500	1.14
				21.07.2017	(30,000)	Market Sale	4,31,500	1.07
				08.08.2017	56,000	Market Purchase	4,87,500	1.20
				11.08.2017	3,930	Market Purchase	4,91,430	1.21
				01.09.2017	4,200	Market Purchase	4,95,630	1.23
				10.11.2017	(100)	Market Sale	4,95,530	1.23
				01.12.2017	(16,500)	Market Sale	4,79,030	1.18
				08.12.2017	(21,851)	Market Sale	4,57,179	1.13
				15.12.2017	(58,450)	Market Sale	3,98,729	0.99
				05.01.2018	5,950	Market Purchase	4,04,679	1.00
				12.01.2018	(47,099)	Market Sale	3,57,580	0.88
				02.02.2018	(3,600)	Market Sale	3,53,980	0.88
				09.02.2018	(1,050)	Market Sale	3,52,930	0.87
				16.02.2018	(11,550)	Market Sale	3,41,380	0.84
				23.02.2018	(3,150)	Market Sale	3,38,230	0.84
				16.03.2018	(15,129)	Market Sale	3,23,101	0.80
		<b>3,23,101</b>	<b>0.80</b>	<b>31.03.2018</b>				

\*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, irrespective of the Sub-Accounts.

## v) Shareholding of Directors and Key Managerial Personnel

Name: Mr. Paras K. Chowdhary, Director

SI No.	For Each of the Directors and KMP	Shareholding at the Beginning of the year 01.04.2017/end of the year 31.03.2018		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
<b>1</b>	<b>At the beginning of the year</b>	<b>3,000</b>	<b>0.01</b>	<b>3,000</b>	<b>0.01</b>
<b>2</b>	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	Nil	-	-	-
<b>3</b>	<b>At the end of the year</b>	<b>3,000</b>	<b>0.01</b>	<b>3,000</b>	<b>0.01</b>

Name: Mr. Arnab Banerjee, Director

SI No.	For Each of the Directors and KMP	Shareholding at the Beginning of the year 01.04.2017/ end of the year 31.03.2018		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>1</b>	<b>At the beginning of the year</b>	<b>7</b>	<b>0.00</b>	<b>01.04.2017</b>	-	-	<b>7</b>	<b>0.00</b>
<b>2</b>	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/ bonus/sweat equity etc.):	104	0.00	25.08.2017	Increase	Market Purchase	111	0.00
		296	0.00	01.09.2017	Increase	Market Purchase	407	0.00
		100	0.00	08.09.2017	Increase	Market Purchase	507	0.00
		300	0.00	31.10.2017	Increase	Market Purchase	807	0.00
		200	0.00	16.02.2018	Increase	Market Purchase	1,007	0.00
		200	0.00	23.02.2018	Increase	Market Purchase	1,207	0.00
<b>3</b>	<b>At the end of the year</b>	<b>1,207</b>	<b>0.00</b>	<b>31.03.2018</b>	-	-	<b>1,207</b>	<b>0.00</b>

Note:

No other Director hold shares in the Company except Mr. H. V. Goenka, Non-Executive Director 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.

**Name: Mr. Kumar Subbiah, Chief Financial Officer**

Sl No.	For Each of the Directors and KMP	Shareholding at the Beginning of the year 01.04.2017/ end of the year 31.03.2018		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	<b>At the beginning of the year</b>	0	0.00	01.04.2017	-	-	0	0.00
2	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	375	0.00	09.02.2018	Increase	Market Purchase	375	0.00
		120	0.00	16.02.2018	Increase	Market Purchase	495	0.00
		5	0.00	09.03.2018	Increase	Market Purchase	500	0.00
3	<b>At the end of the year</b>	500	0.00	31.03.2018	-	-	500	0.00

**Name: Ms. Shruti Joshi, Company Secretary**

Sl No.	For Each of the Directors and KMP	Shareholding at the Beginning of the year 01.04.2017/ end of the year 31.03.2018		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	<b>At the beginning of the year</b>	0	0.00	01.04.2017	-	-	0	0.00
2	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for Increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.):	10	0.00	21.04.2017	Increase	Market Purchase	10	0.00
		2	0.00	09.02.2018	Increase	Market Purchase	12	0.00
		18	0.00	16.02.2018	Increase	Market Purchase	30	0.00
3	<b>At the end of the year</b>	30	0.00	31.03.2018	-	-	30	0.00

## V) Indebtedness

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

₹ in lacs				
	Secured Loans excluding deposits	Unsecured loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the Financial year</b>				
i) Principal Amount	7,16,35.69	5,869.83	0.2	77,505.71
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	275.72	0	2.96	278.68
<b>Total (i+ii+iii)</b>	<b>71,911.41</b>	<b>5,869.83</b>	<b>3.16</b>	<b>77,784.40</b>
<b>Change in Indebtedness during the Financial year</b>				
• Addition (Includes only Principal)	48,051.83	22,500	0	70,551.83
• Reduction (Includes only Principal)	(58,905.39)	(25,338.83)	(2.96)	(84,247.18)
<b>Net Changes</b>	<b>(10,853.57)</b>	<b>(2,838.83)</b>	<b>(2.96)</b>	<b>(13,695.36)</b>
<b>Indebtedness at the end of the Financial year</b>				
i) Principal Amount	61,057.84	3,031.00	0.2	64,089.04
ii) Interest due but not paid	0	0	0	0.00
iii) Interest accrued but not due	128.70	0	0	128.70
<b>Total (i +ii +iii)</b>	<b>61,186.53</b>	<b>3,031.00</b>	<b>0.20</b>	<b>64,217.73</b>

# ANNEXURE C

## VI) Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Sl No.	Particulars of Remuneration	Mr. Anant Vardhan Goenka, Managing Director	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	3,44,28,710	2,42,60,052	5,86,88,762
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	27,08,969	1,59,589	28,68,558
	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)	25,91,256	10,73,180	36,64,436
	<b>Total (A)</b>	<b>3,97,28,935</b>	<b>2,54,92,821</b>	<b>6,52,21,756</b>
	Ceiling as per the Act			<b>43,51,03,100</b>

### B. Remuneration to Other Directors

Particulars of Remuneration	Name of Director								Total Amount
	Mr. Mahesh S. Gupta	Mr. S. Doreswamy	Mr. Haigreve Khaitan	Mr. Atul Choksey	Mr. Vinay Bansal	Ms. Punita Lal	Mr. Paras K. Chowdhary	Mr. Ranjit V. Pandit <sup>#</sup>	
Independent Directors									
• Fee for attending board/ committee meetings	8,05,000	8,05,000	3,00,000	4,00,000	6,15,000	3,00,000	5,80,000	-	38,05,000
• Commission	5,50,000	5,50,000	5,50,000	5,50,000	5,50,000	5,50,000	5,50,000	-	38,50,000
• Others, please specify	-	-	-	-	-	-	-	-	-
<b>Total (1)</b>	<b>13,55,000</b>	<b>13,55,000</b>	<b>8,50,000</b>	<b>9,50,000</b>	<b>11,65,000</b>	<b>8,50,000</b>	<b>11,30,000</b>	<b>0</b>	<b>76,55,000</b>
Other Non-Executive Directors									
• Fee for attending board committee meetings	5,00,000	6,15,000	-	-	-	-	-	-	11,15,000
• Commission	3,72,71,000	5,50,000	-	-	-	-	-	-	3,78,21,000
• Others, please specify	-	-	-	-	-	-	-	-	-
<b>Total (2)</b>	<b>3,77,71,000</b>	<b>11,65,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,89,36,000</b>
<b>Total (B) = (1+2)</b>	<b>3,91,26,000</b>	<b>25,20,000</b>	<b>8,50,000</b>	<b>9,50,000</b>	<b>11,65,000</b>	<b>8,50,000</b>	<b>11,30,000</b>	<b>-</b>	<b>4,65,91,000</b>
Total Managerial Remuneration									4,65,91,000
Overall Ceiling as per the Act <sup>*</sup>									<b>4,35,10,310</b>

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

\*\* Mr. Pierre E. Cohade was appointed as an Additional Director (Non-Executive Non Independent Director) w.e.f. February 1, 2018 and shall not be paid sitting fees for attending meetings of Board of Directors and Commission.

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

**C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD**

Sl No.	Particulars of Remuneration	Mr. Kumar Subbiah (Chief Financial Officer)	Ms. Shruti Joshi (Company Secretary)	Total Amount
1	Gross Salary			
	a) Salary as per provision contained in section 17(1) of Income Tax Act, 1961	1,72,88,304	41,93,499	2,14,81,803
	b) Value of perquisite u/s 17(2) of Income Tax Act, 1961	3,24,319	15,000	3,39,319
	c) Profit in lieu of salary under section u/s 17(3) of Income Tax Act, 1961			
2	Stock option			
3	Sweat Equity			
4	Commission			
	* As percent of profit			
	* Others, Specify			
5	Others please specify (retiral benefits)	4,82,391	1,63,082	6,45,473
	<b>Total (A)</b>	<b>1,80,95,014</b>	<b>43,71,581</b>	<b>2,24,66,595</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 30, 2018



# ANNEXURE D

## 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:

- Installation of new energy efficient pumps for 59J Curing hot water system and 3 Roll Calendar at Bhandup Plant (savings of 200 kWh /Day)
- Installation of energy efficient harmonic filters in electrical sub-station at Bhandup Plant (savings of 250 KWh / Day)
- Installation of energy efficient Unidrive on Mixer in Bhandup Plant (savings of 800 KWh/ Day)
- Installation of energy efficient Induction Lamps in Bhandup Plant (savings of 200 KWh / Day)
- Replacement of 500 tube lights with LED at Nashik Plant (savings of 324 KWh / Day)
- Replacement of Old air circulation fans and ceiling fans by energy efficient fans at Nashik Plant (savings of 816 KWh / Day)
- Replacement of old motors of utility pumps with energy efficient motors at Nashik Plant (savings of 300 KWh / Day)
- Optimization of Triplex, Duplex, PCR Bead Apex TCU for heating cycle to switch on heater at Halol Plant (savings of 1072 KWh / Day)
- Provided LED lights in Admin and R&D Buildings at Halol Plant (savings 200 KWh / Day)
- Ahf Panel installed for DTR-1 & 4 in substation at Halol Plant (savings of 770 KWh / Day)
- Installation of heat recovery system at Halol Plant (savings of 300 KWh / Day)
- Dedicated Air Compressor provided for instrument air with new air piping at Halol Plant (savings of 400 KWh / Day)
- Reduction in boiler draft pressure from -170 to -140 at Halol Plant (savings of 300 KWh / day)
- Insulation for 70 number of curing presses provided at Nagpur Plant (savings of 8 Tons Steam / Day)

- Optimization of all air compressors and cooling tower operation with implementation of VFD at Nagpur Plant (savings of 450 KWh / Day)
- Installed 90 kWp roof top solar panels at Nagpur Plant (Reduction in 110 Tons of Co2e emissions / Year)

(b) Additional investments / Proposals for reduction of Consumption of energy.

- Installation of Unidrive on Mixer Mill, Extruder Mill at Bhandup Plant
- Installation of hydraulic Ram on Banbury 2 at Bhandup Plant
- Operation of process pumps in closed loop with the help of VFD at Bhandup Plant
- Installation of VFD Compressor in mixing section at Nashik Plant
- Installation of Heat Pump in place of electrical heaters in TTB at Nashik Plant
- Replacement of electrical TCU by Steam TCU for Bead Filler Extruder at Nashik Plant
- Use of VFD control for HT motors cooling fans in mixing process at Halol Plant
- Reduce carbon conveying system pressure by introducing new compressor at Halol Plant
- Harmonic filter installation for DTR 7&9 in electric substation at Halol Plant
- Installation of ventury type trap in header condensate drain line at Nagpur Plant
- Installation of Heat Exchanger in BOM water return line for use of waste heat at Nagpur Plant
- Installation of flash steam line for process oil heating at Nagpur Plant
- Installation of Harmonic filters in electric substation at Nagpur 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:

R&D activities were carried out based on a 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. 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 and handling, rolling resistance, noise and extended mobility. Development of new designs, formulations, materials and alternate sources were also done to meet specific performance and cost optimization targets. Our research & development team is conducting several strategic collaborative research programs 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 European Tech Centre is also initiated in Frankfurt, Germany to tap global capabilities and meet the challenging requirements of matured markets such as Europe.

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

The Company has developed more than 65 new products in different categories in FY 2017-18 period, which has significantly contributed to the bottom line growth. There are more than 10 ongoing projects under development with Hyundai, Maruti Suzuki, Renault Nissan, Mahindra & Mahindra. The Company has achieved the Renault Nissan vendor rating system of "B" ranking creating opportunity to participate in their global programs. CEAT has completed the Supplier Panel entry for Nissan this year.

The Company's products in the PCR Winter and Summer categories which were launched in Europe were well accepted and the product series is being expanded to other European countries.

The Truck-Bus Radial tyres are well established in international markets like Middle East and Columbia and significant customer acceptance achieved through product improvements. Premium Truck-Bus Bias tyres received approval in all OEM's and the supply started. The Company has established significant presence in major bias markets like Indonesia and Bangladesh. In farm segment special tyres for hard soil application were launched and as industry first farm tubeless tyre jointly developed with major OEM's.

The development programs with OEM's resulted in product approvals and continuous supplies to many leading OEMs including Honda, Suzuki, Yamaha, Bajaj and Royal Enfield in two wheeler premium models upon 400CC. The Company launched its indigenously developed Puncture Safe series of tubeless two wheeler tyres, for the first time in India. Dedicated efforts and focus on introducing novel raw materials, new process development and introduction of a pilot plant facility, projects taken up in objective testing and

Simulation resulted in improved prediction capability of tyre traction, foot print, tyre rolling resistance and noise resulted in edge in technological development over competitions.

A focused approach towards safeguarding intellectual property resulted in 20 patent applications and design registrations, which totaled to 29.

## 3. CEAT Awarded INDIA DESIGN MARK & Ranks Highest in India for OE Tyre Customer Satisfaction

CEAT CZAR Pattern has been awarded "INDIA DESIGN MARK" in 2018, Highest design recognition from the Indian government through India Design Council.

The Company during FY 2017-18 has been Ranked No. 1 in India for customer satisfaction in passenger car and utility vehicle tyre segment, according to the J. D. Power 2018 India Original Equipment Tyre Customer Satisfaction Index (TCSI) study. CEAT ranked highest in overall customer satisfaction with a score of 893 (on a 1000 point scale) on all four factors (listed in order of importance) Appearance, Durability, Ride and Traction/Handling.

## 4. Future plan of action

In a major effort to improve R&D capability in the areas of fuel efficiency, grip, durability and noise; advanced testing equipment are added in tyre testing and Material development laboratories. Capability development of these equipments, which includes Flat Track machine for object oriented tyre testing, would be one of the key focuses this year. Automation, digitization are continuing to be our key focus area and many software are being added to meet this objective. In order to be proactively ready for electric car tyres, projects are under progress as well.

A new research vertical added to focus on fundamental research. Efforts are being put to develop technologies for development of tyres for cars and SUVs of premium OEMs of MNCs, expanding platforms for Europe, Research activities were carried out based on a technology forecasting and research roadmap, aligning with company vision and long-term views. This included innovation in materials and processing. In line with company vision to focus on safety, a new platform is being developed in 2W category providing grip throughout the tyre life.

## 5. Expenditure on Research and Development:

	(₹ in lacs)	
	2017-18	2016-17
Capital	2,964	7,581
Recurring	6,069	5,594
<b>Total</b>	<b>9,033</b>	<b>13,175</b>

# ANNEXURE D

## Technology Absorption, Adaptation and Innovation

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

- Partnership and product development with automobile OEMs helped in taking-up emerging challenges in the industry and developing technological innovations to meet current and future requirements.
- Strategic partnerships and external research with institutions and global suppliers enabled us to innovate in many emerging areas or R&D & improve product performance
- Sophisticated and modern experimentation methods and simulation techniques helped 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
- b. Product Improvements
- c. Cost reduction
- d. Import Substitution
- e. Process Development
- f. Intellectual Property generation
- g. Sustenance

### Foreign Exchange Earnings and Outgo:

	2017-18	2016-17
Foreign exchange earned	76,090	77,589
Foreign exchange used	1,38,556	1,44,252

(₹ in lacs)

On behalf of the Board of Directors

**H. V. Goenka**

Chairman

Place: Mumbai

Date: April 30, 2018

# ANNEXURE E

## 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	80.67:1
	Mr. Anant V. Goenka	84.84:1
	Mr. Arnab Banerjee	54.44:1
	Mr. Hari L. Mundra	2.49:1
	Mr. Paras K. Chowdhary	2.41:1
	Mr. Mahesh S. Gupta	2.89:1
	Mr. S. Doreswamy	2.89:1
	Mr. Haigreve Khaitan	1.82:1
	Mr. Atul Choksey	2.03:1
	Mr. Vinay Bansal	2.49:1
	Ms. Punita Lal	1.82:1
(ii) the percentage Increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Mr. Anant V. Goenka, MD:	9%
	Mr. Arnab Banerjee, ED:	4%
	Mr. Kumar Subbiah, CFO:	11%
	Ms. Shruti Joshi, CS:	9%
(iii) the percentage Increase in the median remuneration of employees in the financial year;	-	
(iv) the number of permanent employees on the rolls of Company;	5,617 Employees as on March 31, 2018	
(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 (other than managerial personnel) during FY 2017-18 was 9% same as the average increase in 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 2017-18 is as per the Remuneration Policy of the Company.	

On behalf of the Board of Directors

**H. V. Goenka**  
Chairman

Place: Mumbai

Date: April 30, 2018

# ANNEXURE F

## **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.

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.

# ANNEXURE F

- 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.

# ANNEXURE G

## Form No. MR-3

### SECRETARIAL AUDIT REPORT

#### FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

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, 2018 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, 2018 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) The 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 and amendments from time to time; (Not applicable to the Company during the audit period)
  - (d) 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 ; (Not applicable to the Company during the audit period)
  - (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 specifically applicable 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.



# ANNEXURE G

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, standards etc. mentioned above, except delay in transferring of certain amounts relating to unclaimed matured deposits and unclaimed interest on matured deposits to IEPF.

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 30, 2018

Signature:  
**Mitesh Dhaliwala**  
Partner  
FCS No: 8331 CP No: 9511

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.

Place: Mumbai  
Date: April 30, 2018

**For Parikh & Associates**  
Company Secretaries

Signature:  
**Mitesh Dhaliwala**  
Partner  
FCS No: 8331 CP No: 9511

# CORPORATE GOVERNANCE REPORT

The Corporate Governance Report, for the FY 2017-18, 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 of Corporate Governance

Corporate Governance is an integral part of values, ethics and the best business practices followed by the Company. Corporate Governance is the broad framework which defines the way the Company functions and interacts with its environment. It is in compliance with laws and regulations in each of the markets the Company operates, leading to effective management of the organisation. Moreover, CEAT in its journey towards sustainability is integrating sustainability practices in its corporate governance system which goes beyond compliance. The Company is guided by a key set of values for all its internal and external interactions. Simultaneously, in keeping with the best practices, the Company seeks to execute the practices of Corporate Governance by maintaining strong business fundamentals and by delivering high performance through relentless focus on the core values of the Company which are as following:

- Commitment to excellence and customer satisfaction
- Maximising long term shareholders' value
- Socially valued enterprise and
- Caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long-term shareholders' value and commitment to high standard of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practiced by its entire management cadre.

## II. Board Of Directors:

At CEAT, we believe that an active, well-informed and independent Board is necessary to ensure highest standards of Corporate Governance. The Board of Directors of CEAT, being at the core of its Corporate Governance practice, plays the most pivotal role in overseeing how the management serves and protects the long-term interests of all our stakeholders.

The Board periodically reviews Compliance Reports of all laws applicable to the Company and steps taken by the Company to rectify instances of non-compliances, if any. The Board is satisfied that plans are in place for orderly succession for appointments to the Board and to senior management.

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 Code of Corporate Governance and Ethics 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 it to discharge its 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, 2018, the Board of Directors of the Company consisted of 13 (thirteen) Directors of whom, 2 (two) were 'Executive' Directors and 11 (eleven) were 'Non-Executive' Directors. Mr. Pierre E. Cohade was appointed as an Additional Director w.e.f February 01, 2018 by the Board of Directors at their meeting held on February 01, 2018.

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. None of the Directors are related to each other except Mr. H. V. Goenka and Mr. Anant Vardhan Goenka. 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.

# CORPORATE GOVERNANCE REPORT

## 2. Board Meetings held during the year and attendance thereat:

During the Financial Year ended March 31, 2018, 5 (Five) meetings of the Board of Directors were held on April 28, 2017; August 03, 2017; November 14, 2017; February 01, 2018; and March 26, 2018. 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 8, 2017	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	5	Yes	6	-	-
Mr. Anant Vardhan Goenka (Promoter)	Executive Non-Independent	5	Yes	5	-	-
Mr. Arnab Banerjee	Executive Non-Independent	4	Yes	2	-	-
Mr. Paras K. Chowdhary	Non-Executive Independent	5	No	3	1	2
Mr. Mahesh S. Gupta	Non-Executive Independent	5	Yes	4	1	4
Mr. Atul C. Choksey	Non-Executive Independent	4	No	4	-	-
Mr. S. Doreswamy	Non-Executive Independent	5	Yes	1	2	2
Mr. Haigreve Khaitan	Non-Executive Independent	3	Yes	8	3	8
Mr. Hari L. Mundra	Non-Executive Non-Independent	4	No	3	1	2
Mr. Vinay Bansal	Non-Executive Independent	4	Yes	-	-	-
Ms. Punita Lal	Non-Executive Independent	3	No	2	-	-
Mr. Ranjit V. Pandit	Non-Executive Independent	5	Yes	4	-	-
***Mr. Pierre E. Cohade	Additional Director (Non- Executive Non-Independent)	2	N.A.	-	-	-

\* Only Audit Committee, Stakeholders' Relationship Committee is reckoned for this purpose.

\*\* Membership in a Committee is inclusive of Chairmanship held by the Director.

\*\*\*Mr. Pierre E. Cohade has been appointed as an Additional Director (Non-Executive, Non Independent Director) on the Board of Directors of the Company with effect from February 1, 2018, who shall hold office upto the date of the ensuing Annual General Meeting of the Company.

### Details of the Directors proposed for Appointment/Re-appointment at the ensuing Annual General Meeting of the Company as per SEBI Regulation 36 of (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 issued by institute of Company Secretaries of India:

#### i) Mr. Hari L. Mundra:

Mr. Hari L. Mundra, 68, is B.A. (Economics) from Mumbai University and MBA from IIM Ahmedabad. He worked with Hindustan Lever Limited since 1971 for about 24 years in various positions such as Treasurer, Group Commercial Controller and Vice-President /Executive Director –Exports, in India and Indonesia. In 1995 he joined the RPG Group as Group CFO and President & CEO -Carbon Black Business. In 2002, he joined Wockhardt Group as Executive Vice-Chairman and in 2003, he joined Essar Group as Dy.

Managing Director and Director Finance-Essar Oil Limited and directed its turn around. Mr. Mundra was appointed as Director of the Company on September 10, 1998.

He is the Chairman of Future Focus Infotech Pvt Ltd and has been a Visiting Professor at IIM Ahmedabad for the last 10 years. He serves on a number of Boards as Independent Director and has been a senior Advisor in a number of companies in the areas of Corporate Strategy, Finance and Turn arounds.

#### Other Directorships in other Companies:

- Future Focus Infotech Private Limited
- Tata Autocomp Systems Limited
- Allcargo Logistics Limited

### Membership/Chirmanship of Committes of other Boards:

#### Tata Autocomp Systems Limited

- Audit Committe – Chairman
- Nomination and Remuneration Committe – Member

#### Allcargo Logistics Limited

- Audit Committe – Member
- Nomination and Remuneration Committe – Chairman

Mr. Hari L. Mundra is not related to any other Director or Key Managerial Personnel of the Company. He does not hold any shares in the Company. Details of remuneration paid to Mr. Mundra in FY 2017-18 is menationed in **Annexure C** of Board's Report.

#### ii) Mr. Pierre E. Cohade:

Mr. Pierre E. Cohade, 56 years, is an MBA from the Penn State University in 1985 and received degree in business Management from the SKEMA business school in Sophia-Antipolis, France, in 1984. He was appointed as Additonal Directors of the Company on February 1, 2018.

Pierre E. Cohade has lived and worked globally in four continents, building and leading multi-billion dollars businesses, in many cases after turning them around. He is advising some start ups and is a Senior Advisor to CCL (Centre for Creative Leadership) China. He serves as Chairman of the IMA CEO forum. Most recently, Pierre was the CEO of Triangle Tyre, China largest private tyre manufacturer. Pierre focused on preparing Triangle Tyre for its US\$ 4 bn IPO, modernizing its management processes and governance and accelerating its globalization. As one of the very few Western CEO of a Chinese owned business, Pierre was operating at the heart of China Inc. between 2004 and 2011; Pierre was the President of Goodyear Asia Pacific. He led the turnaround, repositioning and fast expansion of this critical part of the company. Under Cohade's leadership, Goodyear Asia Pacific earned recognition beyond its financial success, receiving numerous third party awards for its product innovation, brand building, branded retailing network and was named China's "Employer of the Year" in 2010 and 2011.

#### Directorships in other Companies:

- Deutsche Bank, China
- Acorn International
- Artemis Ventures Limited
- Geofin, France

Mr. Pierre E. Cohade is not related to any other Director or Key Managerial Personnel of the Company. He does not hold any shares in the Company.

He is not a Director in any other Indian Companies.

#### iii) Mr. Arnab Banerjee:

Mr. Arnab Banerjee, 54 years, was re-appointed as the Whole-time Director designated as Executive Director - Operations of the Company w.e.f. May 7, 2018 for 5 years. Mr. Banerjee comes with a vast experience and knowledge of FMCG & Paints sector and has more than 25 years of experience having worked in diverse industries at various locations. He has completed graduation from Indian Institute of Technology, Kharagpur in Mechanical Engineering in 1985. Subsequently, he did PGDM from Indian Institute of Management, Calcutta in 1987. Prior to joining CEAT Limited, Mr. Banerjee worked with Berger Paints and Marico Limited.

At CEAT Limited, Mr. Banerjee spearheads the Sales, Marketing and Manufacturing functions and is responsible for driving revenue in Domestic, Exports & OE markets. He is also developing CEAT as the most Premium, Dynamic and Robust Brand. At the same time, he also handles integrated supply chain of CEAT. He joined CEAT as Vice President-Sales & Marketing on November 21, 2005 and later elevated as the Whole- time Director of the Company designated as Executive Director-Operations w.e.f. May 7, 2013.

Apart from his career in Sales & Marketing, Mr. Banerjee has a keen interest in photography, running & high-altitude trekking.

#### Directorships in other Companies:

- CEAT Specialty Tyres Limited
- Associated CEAT (Private) Limited (Sri Lanka)
- CEAT Kelani Holdings (Private) Limited (Sri Lanka)
- CEAT Kelani International Tyres (Private) Limited (Sri Lanka)
- CEAT Kelani Radials (Private) Limited (Sri Lanka)
- Associated CEAT Holdings Company (Private) Limited (Sri Lanka)
- Asian Tyres (Private) Limited (Sri Lanka)
- CEAT AKKhan Limited (Bangladesh)

Mr. Arnab Banerjee is not related to any other Director or Key Managerial Personnel of the Company.

Terms & Conditions of the re-appointment is as per resolution No. 8 of Notice of Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

## III. Committees of the Board

### (i) Audit Committee:

The Company has an Audit Committee of Directors since 2001. The Composition and the 'Terms of Reference' of the Committee are in conformity with the provisions of Section 177 of the Companies Act, 2013 ("the Act") and Regulation 18 of the Listing Regulations. The Committee consists of 4 (four) Non-Executive Directors, 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, 2018, 5 (Five) meetings of the Audit Committee were held on April 27, 2017; August 3, 2017; November 14, 2017; January 31, 2018 and March 26, 2018.

Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. Mahesh S. Gupta	5
Mr. S. Doreswamy	5
Mr. Hari L. Mundra	4
Mr. Vinay Bansal	4

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:

- (a) To recommend the appointment/re-appointment/replacement, remuneration and terms of appointment of the Auditors of the Company.
- (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 Statement 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 when, 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, Managing Director (MD), Chief Financial Officer, Head-Internal Audit and 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 shareholder queries. Mr. Mahesh S. Gupta, the Chairman of the Audit Committee had attended the Annual General Meeting of the Company held on August 8, 2017 to answer the queries of the shareholders.
- (ii) Nomination and Remuneration Committee (NRC):**
- The Company through its Board of Directors have 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) of the Listing Regulations as well as in Section 178 of the Act.
- The Committee comprises of 3 (three) Independent Director, 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 Act, and Regulation 19 of the Listing Regulations.
- During the financial year ended March 31, 2018, 4 (four) meetings of the NRC were held on April 28, 2017; July 6, 2017, February 1, 2018 and March 26, 2018.

# 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 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 shareholder queries. Mr. Mahesh S. Gupta, the Chairman of the NRC had attended the Annual General Meeting of the Company held on August 8, 2017, to answer the queries of the shareholders.

The Company Secretary functions as the Secretary of the Committee.

The Minutes of the Meetings of the NRC are discussed and taken note of by the Board of Directors.

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 (NEDs);
  - (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 and other areas impacting Company performance,
  - (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 Director 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 ensures:

- (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 condition,
- (v) Attractive to high-flier executives in a competitive global market and commensurate with the roles and responsibilities.

The remuneration to the KMP's at the time of his/her appointment shall be recommended by the NRC and approved by the Board. The Remuneration of the SMP's at the time of his/her appointment shall be approved by the Managing Director 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 KMP's shall be approved by the NRC/ Board of Directors. Annual increments/subsequent variation in remuneration of SMP's 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:
  - (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's 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



# CORPORATE GOVERNANCE REPORT

for attending the meeting of the Board 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.

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 <https://www.ceat.com/corporate/investor#corporate-governance>

## Directors Remuneration

Details of remunerations paid to the Directors are given in MGT-9 **Annexure C** to Board's report.

The remuneration paid to Managing Director and 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 08, 2017 for Mr. Anant Vardhan Goenka and August 22, 2013 for Mr. Arnab Banerjee.

The Board at its meeting held on March 26, 2018 considered and approved the re-appointment along with remuneration of Mr. Arnab Banerjee as Whole-time Director (WTD) of the Company, designated as Executive Director-Operations, for a period of 5 (five) years w.e.f. May 7, 2018 to May 6, 2023 subject to approval of shareholders at the ensuing general meeting of the Company.

Disclosures as per Schedule V of the Companies Act, 2013 and Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 pertaining to remuneration of Directors:

- 1. All elements of remuneration package of individual Directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;- Please refer MGT 9 **Annexure C** to Board's report

- 2. Details of fixed component and performance linked incentives, along with the performance criteria.

- 3. Service contracts, notice period, severance fees; The Company has entered into an agreement with Mr. Anant Vardhan Goenka dated April 1, 2017 and with Mr. Arnab Banerjee dated April 30, 2018.

The Company does not have a practice of paying severance fees to any Directors.

- 4. Stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable:- Not Applicable

## Shareholding of Directors

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	1,207 Equity Shares

## Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 25 (4) of the Listing Regulations the Board 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, CSR 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 details of the said programme has been uploaded on the Company's website <https://www.ceat.com/corporate/investor#corporate-governance>

### (iii) 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) Independent Director, Mr. S. Doreswamy; Mr. Mahesh S. Gupta and Mr. Paras K. Chowdhary. Mr. S. Doreswamy is the Chairman of the Committee.

Ms. Shruti Joshi Company Secretary and Compliance Officer functions as the Secretary of the Committee.

The Minutes of the Meetings of the Stakeholders' Relationship Committee are discussed and taken note by of the Board of Directors.

During the financial year ended March 31, 2018, 5 (five) meetings of the Stakeholders' Relationship Committee were held on April 28, 2017; August 3, 2017; November 14, 2017, February 1, 2018 and March 26, 2018.

#### Attendance at SRC Meetings:

Name of the Member	No. of Meetings attended
Mr. S. Doreswamy	5
Mr. Mahesh S. Gupta	5
Mr. Paras K. Chowdhary	5

The status of the complaints received from investors is as follows:

### Shareholders/Investors Complaints

Particulars of Complaints	Complaint Nos.
Complaints as on April 1, 2017	1
Complaints received during FY 2017-18	34
Complaints disposed off during FY 2017-18	32
Complaints not solved to the satisfaction of shareholders during FY 2017-18*	-
Complaints remaining unresolved as on March 31, 2018	3

\*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".

### (iv) Risk Management Committee (RMC):

The Board of Directors of the Company at its meeting held on February 5, 2015 have 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 (Independent Director) as its members. Mr. Mahesh S. Gupta is appointed as the Chairman of the Committee.

The Company Secretary functions as the Secretary of the Committee.

The Minutes of the Meetings of the RMC are discussed and taken note of by the Board of Directors.

During the financial year ended March 31, 2018, 2 (two) meetings of the RMC were held on August 3, 2017 and January 31, 2018.

#### 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	1
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.

# CORPORATE GOVERNANCE REPORT

- iv. Implementing the risk management and mitigation plan approved by the Board through periodical reviews.
- v. Monitor the effectiveness of risk management and mitigation plan.
- vi. 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.
- 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.

## (v) 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.

The Company Secretary functions as the Secretary of the Committee.

The Minutes of the Meetings of the Finance and Banking Committee are discussed and taken note by of the Board of Directors.

During the financial year ended March 31, 2018, 7 (seven) meetings of the Finance and Banking Committee were held on April 28, 2017; July 6, 2017; August 3, 2017; September 29, 2017; November 14, 2017; February 1, 2018 and March 26, 2018.

### Attendance at Finance and Banking Committee Meetings:

Name of the Member	No. of Meetings attended
Mr. Anant Vardhan Goenka	7
Mr. Arnab Banerjee	5
Mr. Paras K. Chowdhary	7

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) 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.

**(vi) Corporate Social Responsibility (CSR) Committee:**

The Board of Directors has formed committee on Corporate Social Responsibility (CSR) in accordance with Section 135 of 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.

The Company Secretary functions as the Secretary of the Committee.

The Minutes of the Meetings of the Corporate Social Responsibility Committee are discussed and taken note by of the Board of Directors.

During the financial year ended March 31, 2018, 2 (two) meetings of the CSR Committee were held on April 27, 2017 and January 31, 2018.

**Attendance at Corporate Social Responsibility Committee Meetings:**

Name of the Member	No. of Meetings attended
Mr. Anant Vardhan Goenka	2
Mr. Hari L. Mundra	2
Mr. Vinay Bansal	1

A brief on the activities undertaken by the Company during the year forms part of the Board's Report.

The terms of reference of the committee of CSR include the followings:

- 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 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.

**(vii) 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 for attending the meetings of the SIP.

No meetings of Special Investment/Project Committee were held during the year under review. During the year under review, resolution of the Special Investment/Project Committee regarding for approval of the acquisition of Land situated in Tamil Nadu for greenfield project and authorizing officials of the Company to take necessary steps on behalf of the Company in relation to the said land was passed by circulation.

# CORPORATE GOVERNANCE REPORT

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.
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.

## 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 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 26, 2018:

- 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 26, 2018, 7 (seven) Independent Directors were present 1 Director was granted leave of Absence in the Meeting.

## V. Details on General Body Meetings

The details of the last 3 (three) Annual General Meetings are as follows:

Meeting	Day, Date	Time	Venue
56th AGM	Wednesday, August 12, 2015	3.30 p.m.	P. L. Deshpande Maharashtra Kala Academy, Mumbai
57th AGM	Tuesday, August 9, 2016	3.00 p.m.	P. L. Deshpande Maharashtra Kala Academy, Mumbai
58th AGM	Tuesday, August 8, 2017	3:00 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
56th AGM Wednesday, August 12, 2015	<ul style="list-style-type: none"> <li>• Adoption of new set of draft 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 ₹ 500,00,00,000 (Rupees Five Hundred Crores only).</li> </ul>
58th AGM Tuesday, August 8, 2017	<ul style="list-style-type: none"> <li>• 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.</li> <li>• for making offer(s) or invitation(s) to subscribe secured/unsecured, non-convertible debentures/bonds or such other 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.</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 Act read with the Companies (Management and Administration) Rules, 2014.

### Procedure of Postal Ballot:

1. Appointment of Scrutinizer who is not in the employment of the Company.
2. Notice of postal ballot along with the explanatory statement to shareholders by following modes:
  - a. By registered post or speed post or,
  - b. Through electronic means like registered email id or,
  - c. Through courier service for facilitating the communication of the assent or dissent of the shareholder to the resolution within period of thirty (30) days.
3. 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.
4. Notice should also be placed on the website of the Company.
5. 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 2017-18 that were prejudicial to the interest of the Company.

### 2. Whistle Blower Policy (Vigil Mechanism)

The Company has adopted a "Whistle Blower 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 <https://www.ceat.com/corporate/investor#corporate-governance>. No personnel/employee of the Company 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, no complaint was received under the Whistle Blower Policy.

### 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) 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.
- b) 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 placed before the Audit Committee and those related party transaction which were in the ordinary course of business but not on arms' length pricing basis placed before the Board.
- c) There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company.
- 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 <https://www.ceat.com/corporate/investor#corporate-governance>.

### 4. Disclosure of Accounting Treatment

The Company has followed the Indian Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent applicable, in the preparation of the financial statements. 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

# CORPORATE GOVERNANCE REPORT

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.

## 5. Disclosure of Risk Management

The Company has laid down procedures to inform the Board members about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that executive management controls risks through means of a properly defined framework. The Company has adopted Internal Financial Controls and the team identifies top risks associated with the business and the mitigation plan for risks is laid down. Risk Management Committee and the Audit Committee reviews the risks and their mitigation plan.

## 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 requirements.

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 to the Boards' Report.

## 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, 2018.
- 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 <https://www.ceat.com/corporate/investor#corporate-governance>.

## 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 presentation to the stock exchanges as well as these presentations are 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.com' whereby investors can directly contact the Company.

## VIII. General Shareholder Information

### AGM: Date, Time and Venue

- a. As indicated in the notice accompanying this Annual Report the Fifty-Ninth Annual General Meeting of the Company will be held on Friday, July 20, 2018 at 3.30 p.m. at The Auditorium, Textile Committee, next to Trade Plaza (TATA Press), P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai 400 025

### Financial Year

The Company follows April 1 to March 31 as the financial year.

### Date of Book Closure

July 12, 2018 to July 20, 2018 (both days inclusive).

### Dividend Payment Date

On or before August 19, 2018.

### 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 2017-18.

### Stock Code

BSE Limited (Equity shares) - 500878

### Security Code:

BSE Limited (Non Convertible Redeemable Debentures on private placement)- 952523  
Security Id: 980CEAT25

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

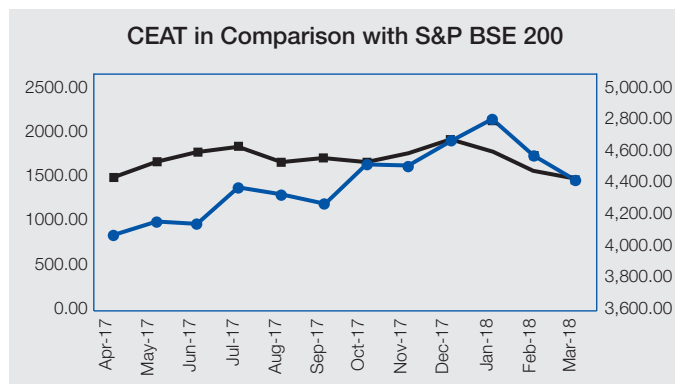
Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2017	1575.00	1324.10	1588.00	1323.20
May 2017	1890.00	1511.00	1897.45	1510.50
June 2017	1948.00	1682.00	1947.90	1683.05
July 2017	1925.00	1792.00	1927.50	1720.00
August 2017	1940.00	1612.55	1937.30	1612.30
September 2017	1822.70	1643.60	1830.00	1643.00
October 2017	1766.65	1638.45	1768.95	1632.00
November 2017	1861.20	1674.25	1859.20	1671.55
December 2017	2030.00	1694.00	2013.95	1695.60
January 2018	2030.00	1794.95	2019.00	1798.55
February 2018	1901.95	1461.00	1902.00	1461.00
March 2018	1630.00	1407.80	1637.00	1413.05



# CORPORATE GOVERNANCE REPORT

Share Performance of the Company in comparison to S & P BSE 200

## CEAT in Comparison with S & P Bse 200



## Registrar and Share 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](mailto:csg-unit@tsrdarashaw.com)  
Web: [www.tsrdarashaw.com](http://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](mailto:csg-unit@tsrdarashaw.com)  
Web: [www.tsrdarashaw.com](http://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: [tsrdbang@tsrdarashaw.com](mailto:tsrdbang@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](mailto: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](mailto: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](mailto: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](mailto:shahconsultancy8154@gmail.com)  
Telefax: 079-26576038

### [C] For Deposits

KISU CORPORATE SERVICES PVT.LTD.  
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](mailto:kisucorporate@gmail.com)

### [D] Debenture Trustees

Axis Trustee Service Limited.  
Axis House, Ground Floor,  
Bombay Dyeing Mills Compound,  
Pandurang Budhkar Marg,  
Worli, Mumbai 400025.  
Tel: 022-24255215/16  
Fax: 022-43253000  
Email ID: [debenturetrustee@axistrustee.com](mailto:debenturetrustee@axistrustee.com)  
Website: [www.axistrustee.com](http://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

has 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, 2018

No. Of Equity Shares hold	No. of Members		No. of shares		% of Equity Capital	
	Physical	Demat	Physical	Demat	Physical	Demat
1 to 500	16,163	46,751	4,41,785	22,12,689	1.09	5.47
501 to 1,000	60	610	40,628	4,43,477	0.10	1.10
1,001 to 2,000	30	249	41,591	3,62,453	0.10	0.90
2,001 to 3,000	8	77	20,113	1,85,657	0.05	0.46
3,001 to 4,000	2	38	6,900	1,32,303	0.02	0.33
4,001 to 5,000	1	30	4,530	1,34,785	0.01	0.33
5,001 to 10,000	2	52	16,657	3,81,557	0.04	0.94
Greater than 10,000	0	121	0	3,60,24,967	0.00	89.06
<b>Total</b>	<b>16,266</b>	<b>47,928</b>	<b>5,72,204</b>	<b>3,98,77,888</b>	<b>1.41</b>	<b>98.59</b>

### 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.

98.59% of equity share capital corresponding to 3,98,77,888 equity shares is held in dematerialised form as of March 31, 2018.

### Categories of Shareholding as of March 31, 2018

Category	No. of Shares	Percentage (%)
<b>Promoter</b>		
Promoters Holdings (Indian and Foreign)	2,05,33,744	50.77
<b>Public</b>		
Mutual Funds	35,96,399	8.89
Banks, Financial Institutions, Insurance Companies and Others	11,58,204	2.86
Foreign Institutional Investors	1,04,45,615	25.82
Non Resident Indians	1,32,523	0.33
Corporate Bodies, Indian Public and Others	45,83,607	11.33
<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 do not have any outstanding GDRs/ ADRs/Warrants/Any other Convertible Instruments as on March 31, 2018.

## 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 significant quantum of raw materials are 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 rules, regulations and guidelines, as may be applicable, 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, 2017	4,665	1,37,464
Number of the shareholders who approached the Company for transfer of the shares from suspense account during the FY 2017-18	29	1,125
Shareholders to whom shares were transferred from the suspense account during the year	29	1,125
Transferred to Investor Education and Protection Fund Authority, pursuant to Section 124 (6) of the Companies Act, 2013 and rules thereunder	4,015	1,16,988
Aggregate number of shareholders and the outstanding shares lying in the suspense account as on March 31, 2018	621	19,351

The voting rights on the equity shares lying in the Suspense Account as on March 31, 2018 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 <https://www.ceat.com/corporate/investor#corporate-governance>

All Board Members and Senior Management Personnel have affirmed compliance with the Code for the financial year ended March 31, 2018. 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: 91-22-2493 0621

Fax: 91-22- 25297423 Email: investors@ceat.com

### Declaration

All Board Members of the Board and the Senior Management Personnel have, for the year ended March 31, 2018, 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.

Place: Mumbai

Date: April 30, 2018

For **CEAT Limited**

**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 30, 2018

## **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  
CEAT Limited  
RPG House, 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, 2018. 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 w.r.t executive and non-executive directors has been met throughout the reporting period;
  - iii. Obtained and read the Directors Register as on March 31, 2018 and verified that atleast 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, 2018, 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 compliance with the relevant regulations of Corporate Governance 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 30, 2018

# 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:	<a href="http://www.ceat.com">www.ceat.com</a>
5. E-mail id:	<a href="mailto:investors@ceat.com">investors@ceat.com</a>
6. Financial Year reported:	2017-18
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	
(a) Number of international locations (Provide details of major 5)	3 (three) Liaison offices (Representative offices) in Indonesia, United Arab Emirates and Frankfurt Germany
(b) Number of national locations	Factories: 4 (four) Regional Offices: 37 (thirty-seven)
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)	63,30,83,72,502
3. Total profit after taxes (INR) (Consolidated)	2,33,28,69,273
4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)	4.59%
5. List of activities in which expenditure in 4 above has been incurred:	Please refer to table below
(a).	
(b).	
(c).	

Serial Number	CSR Project/ Programme	Relevant Section of Schedule VII in which the Project is covered	Coverage of Project/ Programme	Amount Spent (₹ in lacs)	Amount Spent Direct/ through implementing agency
1	Pehlay Akshar	(ii)	Local around factories	42.76	Implementing Agency*
2	Swayam	(ii), (iii)	PAN India	144.69	Implementing Agency*
3	Netranjali	(i), (x)	PAN India	405.13	Implementing Agency*
4	Jeevan	(i), (x)	Local around factories	54.98	Implementing Agency*
5	Saksham	(ii), (iii), (x)	Local around factories	14.15	Implementing Agency*
6	Sanjeevani	(ii),(x)	Local around factories	47.62	Implementing Agency*
7	Road Smarrt		Local around factories	119.81	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;

- (iv) Rural development projects
- (v) Promoting and creating awareness of safe driving and prevention of road fatalities.

## 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, distributor 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.

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.com

### 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.



# BUSINESS RESPONSIBILITY REPORT

## 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="https://www.ceat.com/corporate/investor#corporate-governance">https://www.ceat.com/corporate/investor#corporate-governance</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 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?	Y	Y	Y	Y	Y	Y	Y	Y	Y

(a) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Number	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						Not Applicable			
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 Group, 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

The Company believes in an environment of mutual respect, fairness, transparency and integrity and is committed to conduct its business in an ethical and responsible manner. It has formulated various policies such as RPG Code for Corporate Governance

and Ethics, Whistle Blower Policy, Code of Conduct for external stakeholders, Policy on Code of Conduct for Board Members and Senior Management and has also appointed Committees or designated officials to investigate the complaints for their speedy and accurate disposal.

The RPG Code of Corporate Governance and Ethics 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 also has a Whistle Blower Policy which provides a framework through which all the Directors and employees report their genuine concerns and actual/potential violations to

the designated officials fearlessly and has provided a designated email address for lodging of complaints. The Company is not only committed to its internal stakeholders but also its external stakeholders and has a Whistle Blower Policy for external stakeholders which provides a framework through which all the customers, vendors, suppliers, outsourcing partners etc. can report their genuine concerns and actual/potential violations to the designated officials of the Company fearlessly.

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 and the Whistle Blower Mechanism at periodic intervals.

During FY 2017-18, the Company has received 1 complaint under the RPG Code of Corporate Governance and Ethics and which has been resolved satisfactorily.

### Principle 2: Product Lifecycle Sustainability

The Company believes product lifecycle sustainability is an approach to effectively manage stages of a product's existence to minimize 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 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 301251 MT (Metric tons) which is less than 1.98% of total production of reclaimed rubber of different forms in its products.

### Principle 3: Employee's Well-being:

The Company encourages "work-life balance" and have in place various policies which are for the well-being of employees. The Company focuses on physical and mental health of its employees and has in place a robust health check-up programme. Health camps are organized routinely for the well-being of employees.

The Company also focuses on continuous learning and building organizational capabilities of its people. Capability building and career plans for talent form an integral part of its people processes. Job rotation and diversity of experiences are integrated in an individual's career and every employee has a clearly defined career philosophy. 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 2017-18, the training programmes added up to 2.47 person-days per employee.

The Company understands that diversity makes for a rich tapestry and the strength lies in difference and not in similarities. The Company is particularly focused on Gender Diversity and has taken the goal of 20% women in senior management positions by 2020. The Company has in place a robust Policy for Prevention of Sexual Harassment of women at workplace and ensures strict compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. It endeavors to provide a safe working eco-system for women to work freely and express their ideas without fear. 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. 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. In addition, various programmes were conducted to raise awareness on the issue of sexual harassment of women at the workplace.

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.

The Company has in place Code of Conduct for External Stakeholders which details out the required expectations from

# BUSINESS RESPONSIBILITY REPORT

Company's external stakeholders regarding compliance with laws and regulations, bribery, uplift working conditions and prevent involuntary/child labour. The Company is strict towards its various stakeholders while fulfilling social obligations and the stakeholders shall at all times be committed to upholding the values enshrined in the Constitution of India and applicable laws / regulations and ensure the recognition and protection of the basic human rights of every citizen of India and across the world. The Stakeholders shall not use child labour, forced or bonded labour or any other form of labour which is illegal and inhuman. The Company recognises the child labour movement and neither employ child and forced labour nor involuntary labour in any of plants and other offices.

The Company believes 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. Currently there is 1 employee associations across the Company and 2276 workmen are its members.

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. During the year the Company has been certified as a "Great Place to Work" by the Great Place to Work® Institute.

As on March 31, 2018, there were 5617 permanent employees in the Company, of which 62 were women. The Company had employed 3949 people on a contract basis. During the year under review the Company has not received any complaint relating to sexual harassment, child labour, involuntary labour or forced labour. The Company does not have any employee with disabilities.

## **Principle 4: Stakeholder Engagement**

The Company believes that businesses should respect the interests of and be responsive towards all stakeholders, and hence the mission of the Company is "Making Mobility Safer and Smarter. Everyday." There are various policies for the internal as well external stakeholders of the Company such as Corporate Social Responsibility (CSR) Policy, Policy on Code of Conduct for Board Members and Senior Management, Whistle Blower Policy for External Stakeholders etc. through which the stakeholder's engagement with the Company is encouraged.

Customer centricity is the one of the core values 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. The Company has undertaken important initiatives like establishing call centres and creation of helplines to become more customer centric. In the year 2017, the Company was awarded the highest rating in terms of customer satisfaction for OEM customers in the prestigious JD Power survey.

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 Millennium Development Goals (MDGs) established by the United Nations. CEAT also encourages Employee Volunteering so that our employees can give back to the communities they live in and become responsible citizens. The Company's vision under various CSR initiatives is to drive "holistic empowerment" of the community, disadvantaged, vulnerable and marginalized stakeholders.

The Company constantly endeavors 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 and get answers to 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.

The Company engages with media to keep its stakeholders updated about the developments in the Company. Regular interactions with the electronic, print, television and online media take place through press releases, media events and tv commercials etc.

The objective of the Policy on Code of Conduct for Board Members and Senior Management stems from the fiduciary responsibility which the Board Members and the Senior Management have towards the stakeholders in the Company. Therefore, Board Members and Senior Management will act as trustees in the interest of all stakeholders of the Company by balancing conflicting interest, if any, between stakeholders for optimal benefit. In the observance of the Code, the Directors in their capacity as Directors, per se, will have a Directional role and the Executive Directors and Senior Management Personnel will have managerial and executive responsibility.

The Whistle Blower Policy for external stakeholders has given them an opportunity to raise and report genuine concerns and actual or potential violations which come to their knowledge, to the designated person of the Company.

Recognizing employees as important stakeholders several initiatives are undertaken by the Company to communicate openly and transparently with the employees. Employees are kept abreast of the Vision and strategy and the way forward and also with respect to the achievements of milestones, events etc. The Company also practices a robust Rewards and Recognitions programme, which boost employee morale and motivation.

### Principle 5: Human Rights

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 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.

The 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.

The Company has not received any complaints or grievances on this issue.

### Principle 6: Environment

The 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 research and development department and the engineering team for increasing usage of clean technology, alternative sources of energy, cleaner fuels, energy efficiency and so on. The 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 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 minimization and optimal use of natural resources

The commitment towards environment sustainability has been demonstrated through:

- All the manufacturing plants of the company have implemented Environment Management System (ISO 14001:2015 Certification Standard);
- Nasik Plant implementing Energy Management System (ISO 50001 Certification Standard);
- Indian Green Building Council (IGBC) certifying Research and Development Building and Plant Administration Building as 'Green Building' at Halol Plant;
- Implementation of Energy Conservation Projects and Water Consumption Reduction & Reuse Projects.

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.

The Company has a clearly defined process to identify potential Environmental "RISK" which includes Environmental Aspects and associated Impacts, needs and expectations of relevant Internal and external stakeholders, Environmental Risk and Opportunities relevant to the context of the organization. Based on the RISK identified, objectives and targets are taken; Managements programs are developed and implemented. Risk Management Committee carries out periodic reviews for continual improvement.

Several initiatives are undertaken by the research and development department and the engineering team for increasing usage of

# BUSINESS RESPONSIBILITY REPORT

clean technology, alternative sources of energy like Solar, cleaner fuels like Natural Gas and so on.

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

The Company believes that businesses when engaged in influencing public and regulatory policy must do so in a responsible manner. Towards this, the 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 various campaigns by the Company such as 'Drive Safe, Dad', 'No more funny' and 'Haath Dikhau' 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 well 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.

During the FY 2017-18, the Company has contributed ₹ 1,071 lacs for community development through following projects:

Name of the Project	₹ in lacs
Pehlay Akshar	43
Pehlay Akshar School Enrichment Program (PASEP)	39
Swayam	145
Saksham	14
Netranjali	405
Jeevan	55
Sanjeevani	48
Road Smarrt	120
Digital Literacy	11
Integrated Community Development Centre-Halol	25
Opex	37
<b>Total</b>	<b>942</b>

₹ 129 lacs remained unspent by RPG Foundation, the implementing agency.

## Principle 9: Customer Value

The 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. The 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, 2018 only 0.21% of the total consumer complaints received during the year under review remained pending as on March 31, 2018. These complaints were resolved subsequently. There was 1 consumer cases pending at various forums.

In 2017, 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) having a substantial 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 30, 2018

# 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, 2018, 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 Standalone Ind AS 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 Board of 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, 2018, 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 Companies (Indian Accounting Standards) Rules, 2015, as amended;
  - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on

# INDEPENDENT AUDITOR'S REPORT

record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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. Following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended.

Due date	Date of payment	Amount of payment	Average delay days
Jul' 17 to Mar' 18	Oct' 17 and April' 18	3,20,875	113

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 30, 2018

## **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, 2018 and no material discrepancies were noticed in respect of such confirmations.
- (iii) (a) The Company has granted loan 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 the 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 loan, 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 subsidiary company 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 customs, duty of excise, value added tax, goods and service 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, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



# INDEPENDENT AUDITOR'S REPORT

- (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	Supreme Court	Deposit	Net Amount
Central Excise Act/ Customs Act (Tax/Interest/ Penalty)	1995 to 2016	8	5,842	92	-	168	5,774
Service Tax under the Finance Act, 1994 (Tax/Interest/ Penalty)	2005 to 2015	78	2,871	51	-	81	2,919
Income Tax Act (Tax/ Interest/ Penalty)	1985 to 2015	205	-	160	-	142	223
Sales Tax, VAT, CST (Tax/ Interest/ Penalty)	1987 to 2015	5,899	68	1	-	816	5,152
Wealth Tax (Tax)	2002-03	-	7	-	-	-	7
		<b>6,190</b>	<b>8,788</b>	<b>304</b>	<b>-</b>	<b>1,207</b>	<b>14,075</b>

- (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 **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 30, 2018

## Annexure 2 To The Independent Auditor's Report Of Even Date On The Standalone Financial Statements Of Ceat Limited

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

We have audited the internal financial controls over financial reporting of CEAT Limited ("the Company") as of March 31, 2018 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 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 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, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 30, 2018

# BALANCE SHEET

as at March 31, 2018

Particulars	Note no.	(₹ in lacs)	
		As at March 31, 2018	As at March 31, 2017
<b>Assets</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3	2,40,981	2,34,062
(b) Capital work-in-progress	3	16,186	4,877
(c) Intangible assets	4	6,544	6,825
(d) Financial assets			
(i) Investments	5	27,999	19,439
(ii) Loans	6	304	195
(iii) Other financial assets	7	171	289
(e) Non current tax assets(net)	23	3,915	3,952
(f) Other non-current assets	8	7,141	2,324
<b>Total non-current assets</b>		<b>3,03,241</b>	<b>2,71,963</b>
<b>(2) Current assets</b>			
(a) Inventories	9	75,496	92,344
(b) Financial assets			
(i) Investments	10	4,006	6,427
(ii) Trade receivables	11	71,215	59,205
(iii) Cash and cash equivalents	12	6,964	1,425
(iv) Bank balances other than cash and cash equivalents	13	337	322
(v) Loans	14	4,902	5,002
(vi) Other financial assets	15	1,193	1,155
(c) Other current assets	16	10,695	16,477
<b>Total current assets</b>		<b>1,74,808</b>	<b>1,82,357</b>
<b>Total assets</b>		<b>4,78,049</b>	<b>4,54,320</b>
<b>Equity And Liabilities</b>			
<b>(1) Equity</b>			
(a) Equity share capital	17	4,045	4,045
(b) Other equity	18	2,50,637	2,26,570
<b>Total equity</b>		<b>2,54,682</b>	<b>2,30,615</b>
<b>(2) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	20	27,230	70,351
(ii) Other financial liabilities	21	323	1,666
(b) Provisions	22	3,380	3,418
(c) Deferred tax liabilities (net)	23	17,815	13,459
(d) Deferred revenue	24	968	1,050
<b>Total non-current liabilities</b>		<b>49,716</b>	<b>89,944</b>
<b>(3) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	25	14,364	5,799
(ii) Trade payables	26	84,854	74,958
(iii) Other financial liabilities	27	57,001	37,772
(b) Deferred revenue	24	82	82
(c) Provisions	22	5,014	5,460
(d) Current tax liabilities (net)	23	2,867	2,057
(e) Other current liabilities	28	9,469	7,633
<b>Total current liabilities</b>		<b>1,73,651</b>	<b>1,33,761</b>
<b>Total equity and liabilities</b>		<b>4,78,049</b>	<b>4,54,320</b>
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 30, 2018

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

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 PROFIT AND LOSS

for the year ended March 31, 2018

Particulars	Note no.	₹ in lacs)	
		2017-18	2016-17
<b>I Income</b>			
Revenue from operations	29	6,33,025	6,37,652
Other income	30	5,681	4,146
<b>Total income</b>		<b>6,38,706</b>	<b>6,41,798</b>
<b>II Expenses</b>			
Cost of material consumed	31	3,65,033	3,30,888
Purchase of stock-in-trade		5,988	14,255
Changes in inventories of finished goods, work-in-progress and stock-in-trade	32	9,332	(7,615)
Employee benefit expense	33	41,311	38,385
Finance costs	34	8,645	7,947
Depreciation and amortization expenses	35	16,168	14,201
Excise duty on sale of goods		16,891	67,479
Other expenses	36	1,31,732	1,28,260
<b>Total expenses</b>		<b>5,95,100</b>	<b>5,93,800</b>
<b>III Profit before exceptional items and tax</b>		<b>43,606</b>	<b>47,998</b>
<b>IV Exceptional items</b>	37	2,640	1,333
<b>V Profit before tax</b>		<b>40,966</b>	<b>46,665</b>
<b>VI Tax expense</b>	23		
Current tax		10,408	11,445
Deferred tax		2,686	(1,053)
<b>VII Profit for the year</b>		<b>27,872</b>	<b>36,273</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		1,043	(484)
Income tax relating to above		(361)	167
<b>Items that will be reclassified subsequently to statement of profit and loss</b>			
Net movement of cash flow hedges		1,098	(377)
Income tax relating to above item		(380)	131
<b>Total other comprehensive income for the year</b>		<b>1,400</b>	<b>(563)</b>
<b>IX Total Comprehensive Income for the year (Comprising profit and other comprehensive income for the year)</b>		<b>29,272</b>	<b>35,710</b>
<b>X Earnings per equity share (of ₹ 10 each)</b>	39		
Basic (in ₹)		68.90	89.67
Diluted (in ₹)		68.90	89.67
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 30, 2018

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

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 OF CASH FLOW

for the year ended March 31, 2018

Particulars	(₹ in lacs)	
	2017-18	2016-17
<b>A) Cash Flow From Operating Activities</b>		
<b>Profit before tax</b>	40,966	46,665
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortization	16,168	14,201
Interest income	(1,327)	(847)
Finance costs	8,645	7,947
Dividend income	(1,927)	(1,639)
Provision for obsolescence of stores and spares	120	0
Provision for doubtful debts / advances	371	898
Credit balances written back	(238)	(591)
Bad debts written off	50	22
Loss on sale of fixed assets (net)	929	555
Unrealised foreign exchange (gain) / loss (net)	(57)	(77)
Profit on sale of investment	(1,065)	(283)
Remeasurement gain / (loss) on defined benefit plans	1,043	(484)
<b>Operating profit before working capital changes</b>	<b>63,678</b>	<b>66,367</b>
<b>Adjustments for:</b>		
Decrease / (Increase) in inventory	16,727	(30,419)
Decrease / (Increase) in trade receivables	(12,090)	(2,074)
Decrease / (Increase) in current loans, other current assets and other financial assets	5,686	(2,486)
Decrease / (Increase) in non-current loans and other non-current assets	(857)	(580)
Decrease / (Increase) in non-current financial assets	-	233
(Decrease) / Increase in trade payables	9,871	10,397
(Decrease) / Increase in current financial liabilities and other current liabilities	1,454	1,595
(Decrease) / Increase in non-current financial liabilities and deferred revenue	(82)	(81)
(Decrease) / Increase in current provisions	(445)	759
(Decrease) / Increase in non-current provisions	(38)	609
<b>Cash flows from operating activities</b>	<b>83,904</b>	<b>44,320</b>
Direct taxes paid (net of refunds)	(9,561)	(9,912)
<b>Net cash flow from operating activities (A)</b>	<b>74,343</b>	<b>34,408</b>
<b>B) Cash Flow From Investing Activities</b>		
Purchase of property, plant and equipment (including capital work-in progress and capital advance)	(40,287)	(40,690)
Withdrawal of bank deposits (having original maturity of more than three months)	-	750
Withdrawal of margin money deposit with banks	52	18
Changes in other bank balances	(14)	202
Purchase of non current investments	(8,560)	(1,000)
Purchase of current investment (net)	3,486	(2,139)
Interest received	1,394	916
Repayment of loan given to subsidiary	19,800	6,900
Loan given to subsidiary	(19,700)	(8,500)
Dividend received	1,927	1,639
<b>Net cash (used in) investing activities (B)</b>	<b>(41,902)</b>	<b>(41,904)</b>

Particulars	(₹ in lacs)	
	2017-18	2016-17
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(8,155)	(8,094)
Repayment of public deposit	(9)	(3,469)
Change in other short-term borrowings (net)	3,246	5,848
Proceeds from short-term buyers credit	18,660	-
Repayment of short-term buyers credit	(13,383)	-
Proceeds from long-term borrowings	13,056	21,459
Repayment of long-term borrowings	(35,037)	(7,898)
Dividend paid	(4,727)	(66)
Dividend distribution tax paid	(553)	-
<b>Net cash flows from / (used in) financing activities (C)</b>	<b>(26,902)</b>	<b>7,780</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>5,539</b>	<b>284</b>
<b>Cash and cash equivalents at the beginning of the year (Refer note 12)</b>	<b>1,425</b>	<b>1,141</b>
<b>Cash and cash equivalents at the end of the year (Refer note 12)</b>	<b>6,964</b>	<b>1,425</b>

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 30, 2018

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

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 OF CHANGES IN EQUITY

for the year ended March 31, 2018

(₹ in lacs)

Particulars	Other equity					Total other equity	Total equity			
	Equity share capital (refer note 17)	Securities premium reserve (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(f))	Retained earnings (refer note 18(g))	Cash flow hedge reserve (refer note 18(d))
<b>As at April 1, 2016</b>	4,045	56,703	1,177	390	1,667	20,177	1,10,742	4	1,90,860	1,94,905
Profit for the year	-	-	-	-	-	-	36,273	-	36,273	36,273
Other comprehensive income	-	-	-	-	-	-	(317)	(246)	(563)	(563)
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>35,956</b>	<b>(246)</b>	<b>35,710</b>	<b>35,710</b>
Transfer to debenture redemption reserve	-	-	-	-	-	-	(1,667)	-	(1,667)	(1,667)
Transfer from retained earnings	-	-	-	-	1,667	-	-	-	1,667	1,667
<b>As at March 31, 2017</b>	4,045	56,703	1,177	390	3,334	20,177	1,45,031	(242)	2,26,570	2,30,615
Profit for the year	-	-	-	-	-	-	27,872	-	27,872	27,872
Other comprehensive income	-	-	-	-	-	-	682	718	1,400	1,400
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>28,554</b>	<b>718</b>	<b>29,272</b>	<b>29,272</b>
Payment of dividend (Refer note 19)	-	-	-	-	-	-	(4,652)	-	(4,652)	(4,652)
Payment of dividend distribution tax (DDT) (Refer note 19)	-	-	-	-	-	-	(553)	-	(553)	(553)
Transfer from retained earnings	-	-	-	-	1,667	-	-	-	1,667	1,667
Transfer to debenture redemption reserve	-	-	-	-	-	-	(1,667)	-	(1,667)	(1,667)
<b>As at March 31, 2018</b>	4,045	56,703	1,177	390	5,001	20,177	1,66,713	476	2,50,637	2,54,682

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/E3000003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place: Mumbai

Date: April 30, 2018

For and on behalf of Board of Directors of CEAT Limited

**H.V. Goenka**

Chairman

**Anant Goenka**

Managing Director

**Mahesh Gupta**

Chairman- Audit Committee

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

# NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 1: Corporate information

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

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

### 1. Basis of accounting and preparation of financial statements

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

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

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

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

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

### 2. Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

### 3. Revenue recognition

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

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

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



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

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

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

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

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

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

## **Sale of goods**

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

## **Interest income**

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

## **Dividends**

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

## **Royalty and technology development fees**

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

## **4. Government grants and Export incentives**

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

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at carrying amounts and released to profit and loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

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

## **5. Taxes**

### **Current income tax**

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

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

tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

## 6. Non-current assets held for sale

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

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

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

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

## 7. Property, plant and equipment

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

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

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

Asset Class	Useful life
Buildings	50 years - 60 years
Plant & Machinery	15 years - 20 years
Moulds	6 years
Computers	3 years
Furniture & Fixtures	10 years
Office Equipment	5 years
Motor Vehicles	8 years
Carpeted Roads- RCC	10 years
Computer Servers	6 years
Electrical Installations	20 years
Hand Carts, 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 (Lower than those indicated in Schedule II of the Companies Act, 2013)
- Office buildings- 60 years (Higher than those indicated in Schedule II of the Companies Act, 2013)
- Plant & Machinery – 20 years (Higher than those indicated in Schedule II of the Companies Act, 2013)

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

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

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

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

## 8. Intangible assets

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

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

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

with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

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

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

Intangible assets are amortised on straight line method as under:

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

#### **Technical know-how and Brand**

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

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

#### **Research and development costs (Product development)**

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

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale

- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

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

## **9. Borrowing costs**

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

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

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

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

## 10. Leases

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

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

### Company as a lessee

#### Finance lease

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

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

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

#### Operating lease

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

## 11. Inventories

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

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

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

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

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

## 12. Impairment of non-financial assets

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

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

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

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

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

### 13. Provisions

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

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

### Warranty provisions

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

### Decommissioning liability

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

## 14. Retirement and other employee benefits

### Defined contribution plan

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

### Defined benefit plan

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

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

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

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

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

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

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

## Compensated absences

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

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

## Termination benefits

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

## 15. Financial instruments

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

### Financial assets

#### Initial recognition and measurement

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

#### Subsequent measurement

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

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

#### Debt instruments at amortised cost

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

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

#### Debt instrument at FVTOCI

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

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

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

#### Debt instrument at FVTPL

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

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

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

#### Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments,

the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

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

#### Derecognition

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

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

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

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



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

## Impairment of financial assets

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

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial assets that are debt instruments and are measured as at FVTOCI
- c) Lease receivables under Ind AS 17
- d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18
- e) Loan commitments which are not measured as at FVTPL
- f) Financial guarantee contracts which are not measured as at FVTPL

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

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

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

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

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

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

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

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

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

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

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

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

## Financial liabilities

### Initial recognition and measurement

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

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

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

### Subsequent measurement

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

#### Financial liabilities at fair value through profit and loss

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

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

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

#### Loans and borrowings

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

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

#### Financial guarantee contracts

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

#### Derecognition

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

#### Reclassification of financial assets

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

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

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

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

## Offsetting of financial instruments

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

## 16. Derivative financial instruments

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

### Fair value hedges

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

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit and loss over the remaining term of the hedge using

the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

### Cash flow hedges

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

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

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

transferred to the initial carrying amount of the non-financial asset or liability.

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

## 17. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

## 18. Cash and cash equivalents

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

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

## 19. Dividend distribution to equity holders

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

## 20. Foreign currencies

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

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

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

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

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

## 21. Earnings Per Share

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

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

## 22. Segment Reporting

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

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

## 23. Contingent liabilities and assets

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

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

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

(₹ in lacs)

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

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

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

## Net carrying amount

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

- Building includes ₹ 0.10 Lacs as at March 31, 2018 (As at March 31, 2017 ₹ 0.10 Lacs) being value of unquoted fully-paid shares held in various co-operative housing societies.
- As a part of green field expansion plan, during the year the Company has acquired land of ₹ 6,731 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.

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

- As a part of expansion project at Halol-Phase II, during the year the Company has capitalised and commissioned assets of ₹ 2,364 lacs (March 31, 2017 ₹ 18,343 lacs). This has resulted in the installed capacity as on March 31, 2018 to 120 MT per day (March 31, 2017 76 MT per day).
- As a part of ongoing expansion project at Halol-Phase III, during the year the Company has capitalised and commissioned assets of ₹ 79 lacs. The planned expansion of 208 MT per day is expected to be commissioned, in phase, by end of March 2020.
- As a part of ongoing expansion project at Butibori, near Nagpur, Maharashtra, during the year the Company has capitalised and commissioned assets of ₹ 5,067 lacs (March 31, 2017 ₹ 22,996 lacs). This has resulted in the installed capacity as on March 31, 2018 to 91 MT per day (March 31, 2017 54 MT per day). The planned expansion of 120 MT per day is expected to be commissioned, in phase, by end of FY 2018-19.
- The amount of borrowing cost capitalised during the year ended March 31, 2018 is ₹ 459 lacs (March 31, 2017: ₹ 1,437 lacs). The rate used to determine the amount of borrowing costs eligible for capitalisation is 7.79% (March 31, 2017: 8.89%) which is the effective interest rate of specific borrowings.
- Refer note 20 for details on pledges and securities.

**Note 4: Intangible assets**

(₹ in lacs)

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

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

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



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

## Note 5: Investments

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

## Note 6: Loans

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

## Note 7: Other financial assets

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

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

**Note 8: Other non-current assets**

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

**Note:**

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

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

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

**Note:**

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

## Note 10: Investments

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

## Note 11: Trade receivables

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
Trade receivables from others	68,755	57,423
Trade receivables from related parties (refer note 43)	2,460	1,782
<b>Total receivables</b>	<b>71,215</b>	<b>59,205</b>

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Break-up for security details</b>		
Secured, considered good*	24,819	22,769
Unsecured, considered good	46,396	36,436
Doubtful	2,129	3,291
<b>Total</b>	<b>73,344</b>	<b>62,496</b>
Allowance for doubtful debts	(2,129)	(3,291)
<b>Total trade receivables</b>	<b>71,215</b>	<b>59,205</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 within the credit period which is generally 30 to 60 days.

## Note 12: Cash and cash equivalents

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

**Note 13: Bank balances other than cash and cash equivalents**

(₹ in lacs)

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

**Notes**

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

**Note 14: Loans**

(₹ in lacs)

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

**Note 15: Other financial assets**

(₹ in lacs)

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

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

**Note 16: Other current assets**

(₹ in lacs)

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

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

## Note 17: Equity share capital

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

### Issued share capital

#### Equity shares of ₹ 10 each issued

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

### Subscribed and Paid-up share capital

#### Equity shares of ₹ 10 each subscribed and paid-up

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

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

#### b) Terms/ rights attached to equity shares

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

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

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

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

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

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

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

**Note 18: Other equity**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Securities premium reserve (refer foot note a)	56,703	56,703
Capital reserve (refer foot note b)	1,177	1,177
Capital redemption reserve (refer foot note c)	390	390
Cash flow hedge reserve (refer foot note d)	476	(242)
Debenture redemption reserve (DRR) (refer foot note e)	5,001	3,334
General reserve (refer foot note f)	20,177	20,177
Retained earnings (refer foot note g)	1,66,713	1,45,031
<b>Total other equity</b>	<b>2,50,637</b>	<b>2,26,570</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, 2016	56,703
At March 31, 2017	56,703
At March 31, 2018	<b>56,703</b>

**b) Capital reserve**

Capital reserve includes profit on amalgamation of entities.

	(₹ in lacs)
At April 1, 2016	1,177
At March 31, 2017	1,177
At March 31, 2018	<b>1,177</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, 2016	390
At March 31, 2017	390
At March 31, 2018	<b>390</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, 2016	4
Gain / (Loss) arising during the year	(246)
At March 31, 2017	<b>(242)</b>
Gain / (Loss) arising during the year	718
At March 31, 2018	<b>476</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, 2016	<b>1,667</b>
Add: Transfer from retained earnings during the year	1,667
At March 31, 2017	<b>3,334</b>
Add: Transfer from retained earnings during the year	1,667
At March 31, 2018	<b>5,001</b>

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

## f) General Reserve

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

	(₹ in lacs)
At April 1, 2016	20,177
At March 31, 2017	20,177
At March 31, 2018	<b>20,177</b>

## g) Retained earnings

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

## Note 19: Distribution made and proposed

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

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

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

## Note 20: Borrowings (At amortised cost)

(₹ in lacs)

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

### Notes to Borrowings:

- Non-Convertible Debentures (NCD) ₹ 20,000 lacs (March 31, 2017: ₹ 20,000 lacs) allotted on July 31, 2015 on private placement basis are secured by a first pari passu charge over the movable assets (except current assets) and immovable assets of the Company situated at the Nasik Plant. As at March 31, 2018, the NCDs carry an interest at 8.65% p.a. and is repayable as under:
  - NCD Series 1: ₹ 1,000 lacs (5% of the issue amount) repayable on July 31, 2019
  - NCD Series 2: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2020
  - NCD Series 3: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2021
  - NCD Series 4: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2022
  - NCD Series 5: ₹ 4,000 lacs (20% of the issue amount) repayable on July 31, 2023
  - NCD Series 6: ₹ 4,000 lacs (20% of the issue amount) repayable on July 31, 2024
  - NCD Series 7: ₹ 2,000 lacs (10% of the issue amount) repayable on July 31, 2025
- Term Loan from Export Import Bank of India (EXIM) NIL (March 31, 2017: ₹ 10,900 lacs) was pre-paid in full including interest thereon during the year. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) and immovable assets situated at the Halol plant and second pari passu charge on the current assets of the Company. It carried interest of 9.50% p.a. at the time of repayment.
- Term Loan from Kotak Mahindra Bank Limited NIL (March 31, 2017: ₹ 3,000 lacs) was pre-paid in full including interest thereon during the year. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) and immovable assets situated at Halol plant and second pari passu charge over the current assets of the Company. It carried interest of 8.60% p.a. at the time of repayment.
- Term Loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) NIL (March 31, 2017: ₹ 8,000 lacs) was pre-paid in full including interest thereon during the year. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carried interest of 8.33% p.a. at the time of repayment.



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

5. Long-term buyer's credit (for Halol expansion project) is secured by way of first pari passu charge on all movable assets (excluding current assets) and immovable assets of the Company situated at Halol plant and second pari passu charge over the current assets of the Company. It is repayable within 3 years from the date of disbursement. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 35 bps p.a. to 12 months LIBOR plus 122 bps p.a. and 6 months LIBOR plus 52 bps p.a. to 6 months LIBOR plus 165 bps p.a. and 6 months EURIBOR plus 125 bps p.a. and 12 months EURIBOR plus 68 bps p.a. to 12 months EURIBOR plus 150 bps p.a. (Variation in range due to the movements in LIBOR/EURIBOR and the size of the deals.)
6. Long-term buyer's credit (for Nagpur project) is secured by way of first pari passu charge on all movable assets (excluding current Assets) and immovable assets of the Company situated at Nagpur plant. It is repayable within 3 years from the date of disbursement. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 20 bps p.a. to 12 months LIBOR plus 113 bps p.a. and 6 months LIBOR plus 50 bps p.a. to 6 months LIBOR plus 175 bps p.a. (Variation in range due to the movements in LIBOR/EURIBOR and the size of the deals.)
7. Public deposits included under the long-term borrowings were pre-paid in full including interest thereon on September 30, 2016.
8. Interest-free deferred sales tax is repayable in ten equal annual instalment commencing from April 26, 2011 and ending on April 30, 2025.
9. Outstanding balances shown in foot notes above, are grossed up to the extent of unamortised transaction cost.

## Note 21: Other financial liabilities

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non current</b>		
<b>At fair value through other comprehensive income</b>		
Derivative financial instrument	177	1,520
<b>At amortised cost</b>		
Deposits	146	146
<b>Total other financial liabilities</b>	<b>323</b>	<b>1,666</b>

## Note 22: Provisions

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non-current provisions</b>		
Provision for warranty (Refer foot note a)	886	777
Provision for compensated absences (Refer foot note b)	2,433	2,586
Provision for decommissioning liability (Refer foot note c)	61	55
	<b>3,380</b>	<b>3,418</b>
<b>Current provisions</b>		
Provision for warranty (Refer foot note a)	2,843	2,609
Provision for gratuity (refer note 41)	-	1,017
Provision for compensated absences (Refer foot note b)	313	278
Provision for indirect tax and labour matters (Refer foot note d)	1,858	1,556
	<b>5,014</b>	<b>5,460</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, 2016</b>	<b>3,033</b>
Additions during the year	5,837
Utilised during the year	(5,484)
<b>As at March 31, 2017</b>	<b>3,386</b>
Additions during the year	5,520
Utilised during the year	(5,177)
<b>As at March 31, 2018</b>	<b>3,729</b>

**b) Compensated absences**

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

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

**c) Provision for decommissioning liability**

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

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

**d) 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.

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

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

## Note 23: Income taxes and deferred taxes

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

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

## Statement of profit and loss

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

## Other Comprehensive Income (OCI) section

Deferred tax related to items recognised in OCI during the year

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

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

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

**Deferred tax**

Deferred tax relates to the following

(₹ in lacs)

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

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

**Reflected in the balance sheet as follows**

(₹ in lacs)

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

**Reconciliation of deferred tax liabilities (net)**

(₹ in lacs)

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

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

**Note 24: Deferred Revenue**

(₹ in lacs)

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

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

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

## Note 25: Borrowings

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

### Note:

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

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

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

## Note 26: Trade payables

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

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

### Notes

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

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

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

**Note 27: Other financial liabilities**

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

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

**Note 28: Other current liabilities**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Statutory dues	7,732	6,813
Advance received from customers	1,737	820
<b>Total</b>	<b>9,469</b>	<b>7,633</b>

**Note 29: Revenue from operations**

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

**Note:**

- a) Sale of goods includes excise duty collected from customers of ₹16,891 lacs (March 31, 2017: ₹ 67,479 lacs) (refer note 2(3))
- b) The Company has recognised a government grant of ₹ 1,191 lacs (March 31, 2017: ₹ 1,220 lacs) as income on account of Export Incentive under Merchandise Exports from India Scheme (MEIS) from Directorate General of Foreign Trade, Government of India.

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

**Detail of sales under broad heads**

	(₹ in lacs)	
	2017-18	2016-17
Automotive tyres	5,52,903	5,59,128
Tubes and others	71,525	74,176
<b>Sale of products</b>	<b>6,24,428</b>	<b>6,33,304</b>

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

## Note 30: Other Income

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

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

## Note 31: Cost of material consumed

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

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

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

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

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

**Note 33: Employee benefit expense**

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

**Note 34: Finance costs**

	(₹ in lacs)	
	2017-18	2016-17
Interest on debts and borrowings	7,883	7,510
Other finance charges	375	83
<b>Total interest expense</b>	<b>8,258</b>	<b>7,593</b>
Unwinding of decommissioning liability	6	6
Unwinding of discount on provision of warranty	381	348
<b>Total finance cost</b>	<b>8,645</b>	<b>7,947</b>

**Note 35: Depreciation and amortization expenses**

	(₹ in lacs)	
	2017-18	2016-17
Depreciation of tangible assets (refer note 3)	14,959	13,232
Amortization of intangible assets (refer note 4)	1,209	969
<b>Total</b>	<b>16,168</b>	<b>14,201</b>



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

## Note 36: Other expenses

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

## Notes

### 1) Payments to the auditor

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

\*Exclusive of service tax/GST

2) Details of Corporate Social Responsibility (CSR) expenditure				(₹ in lacs)
	2017-18		2016-17	
a) Gross amount required to be spent during the year	1,071		1,007	
	(₹ in lacs)			
	In cash	Yet to be paid in cash	Total	
b) Amount spent during the year ended on March 31, 2018				
i) Construction/acquisition of any asset	-	-	-	
ii) On purposes other than (i) above	1,071	-	1,071	
<b>Total</b>	<b>1,071</b>	<b>-</b>	<b>1,071</b>	
	(₹ in lacs)			
	In cash	Yet to be paid in cash	Total	
c) Amount spent during the year ended on March 31, 2017				
i) Construction/acquisition of any asset	-	-	-	
ii) On purposes other than (i) above	1,011	-	1,011	
<b>Total</b>	<b>1,011</b>	<b>-</b>	<b>1,011</b>	

### Note 37: Exceptional items

	2017-18		2016-17	
Voluntary Retirement Scheme (VRS)	2,640		1,333	
<b>Total</b>	<b>2,640</b>		<b>1,333</b>	

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

### Note 38: Research and development costs

	2017-18		2016-17	
Capital expenditure	2,964		7,581	
Revenue expenditure	6,069		5,594	
<b>Total</b>	<b>9,033</b>		<b>13,175</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 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:

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

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

## Note 40: Significant accounting judgements, estimates and assumptions

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

### Estimates and assumptions

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

#### a) Taxes

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

#### b) Defined benefit plans (gratuity benefits)

The Company's obligation on account of gratuity, compensated absences and present value of gratuity obligation are determined based on actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

Further details about gratuity obligations are given in note 41.

#### c) Provision for decommissioning liability

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

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

#### d) Provision for warranty

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

#### e) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing

fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. (refer note 46 and 47 for further disclosures)

#### Note 41: Post-retirements benefit plan

##### a) Defined Contribution plan

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

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

##### b) Defined Benefit plan - Gratuity

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

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, every employee who has completed five years of service gets a gratuity on separation @ 15 days

of last drawn salary for each completed year of service. The scheme is funded with an insurance Company in the form of qualifying insurance policy.

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

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

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

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

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

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

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

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

## iii) Expenses recognised during the period

Particulars	(₹ in lacs)	
	2017-18	2016-17
In Income Statement	678	528
In Other Comprehensive Income	(1,043)	484
<b>Total Expenses recognised during the period</b>	<b>(365)</b>	<b>1,012</b>

## iv) Expenses recognized in the Income Statement

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

## v) Expenses recognized in Other Comprehensive Income (OCI)

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

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

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

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

Sr. No. Particulars	(₹ in lacs)	
	2017-18	2016-17
1. Expected return on plan assets	580	658
2. Actuarial gain / (loss) on plan assets	93	(43)
3. <b>Actual return on plan assets</b>	<b>673</b>	<b>615</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, 2018	March 31, 2017
Investment with Insurer	100%	100%

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

**Description of Risk Exposures**

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

**Interest Rate risk**

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

**Liquidity Risk**

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

**Salary Escalation Risk**

The present value of the defined benefit plan is calculated with

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

**Demographic Risk**

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

**Regulatory Risk**

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

**Asset Liability Mismatching or Market Risk**

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

**Investment Risk**

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

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

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

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

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

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

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

Particulars	(₹ in lacs)			
	2017-18		2016-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	10,069	8,628	10,369	8,822
(% change compared to base due to sensitivity)	8.3%	(7.2%)	8.7%	(7.5%)
Salary Growth Rate (- / + 1%)	8,620	10,064	8,818	10,357
(% change compared to base due to sensitivity)	(7.3%)	8.2%	(7.6%)	8.5%
Attrition Rate (- / + 1%)	9,267	9,319	9,618	9,484
(% change compared to base due to sensitivity)	(0.4%)	0.2%	0.8%	(0.6%)
Mortality Rate (- / + 1%)	9,300	9,301	9,543	9,542
(% change compared to base due to sensitivity)	0.0%	0.0%	0.0%	0.0%

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

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

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

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

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

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

**Note 42: Commitments and contingencies****a. Leases****Operating lease commitments – Company as lessee**

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

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

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

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

**b. Contingent Liabilities**

(to the extent not provided for)

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

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

**c. Commitments**

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



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

## d. Others

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

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

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

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

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

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

**Note 43: Related party transactions****a) Names of related parties and related party relationship****Related parties where control exists**

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

**Related parties with whom transactions have taken place during the year**

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

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

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

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

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

### c) Balance outstanding at the year end

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

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

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

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

## d) Transactions with key management personnel and their relatives

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

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

\* Represents amount paid during the year.

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

## e) Balance outstanding at the year end for KMP

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

### Terms and conditions of transactions with related parties

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

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

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

### Loan and guarantee to subsidiary

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

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

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

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

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

**Capital commitments with related parties**

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

Related Party	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
KEC	2,326	0
Raychem	0	-
Vinar	-	67

**Note 44: Segment information**

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

**Information about products**

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

**Information about geographical areas**

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

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

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

**Note 45: Hedging activities and derivatives****Derivatives designated as hedging instruments**

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

**Cash flow hedges****Foreign currency risk**

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

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

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



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

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

(Amount in lacs)

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

(Amount in foreign currency in lacs)

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

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

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

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

**Note 46: Fair values**

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

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

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

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

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

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

## Note 47: Fair value hierarchy

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

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

(₹ in lacs)

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

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

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

(₹ in lacs)

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

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

\*For valuation under Level 3 following assumptions were made:

- a. All repayments of borrowings will happen at end of financial year and not during the year.
- b. For valuation purpose we have taken rate of 11.50% which represents additional borrowing rate.

#### **Note 48: Financial risk management objectives and policies**

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

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

##### **a. Market risk**

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

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

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

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

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

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

##### **i. Interest rate risk**

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

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

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

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

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Fixed rate borrowings	29,769	45,340
Floating rate borrowings	34,320	32,165
<b>Total borrowings</b>	<b>64,089</b>	<b>77,505</b>

## 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:

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

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

## ii. Foreign currency risk

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

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

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

## Foreign currency sensitivity

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

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

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

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

### iii. Equity price risk

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

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

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

## b. Commodity price risk

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

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

### Commodity price sensitivity

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

(₹ in lacs)

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

## c. Credit risk

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

### Trade receivables

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

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

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

(₹ in Lacs)

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

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

#### Other financial assets and cash deposits

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

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

#### d. Liquidity risk

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

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

(₹ in lacs)

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

**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	-	-	19,439	19,439
Current investments	6,427	-	-	6,427
Loans	5,002	195	-	5,197
Trade receivables	59,205	-	-	59,205
Cash and cash equivalents	1,425	-	-	1,425
Bank balances other than cash and cash equivalents	322	-	-	322
Other financial assets	1,155	289	-	1,444
<b>Total financial assets</b>	<b>73,536</b>	<b>484</b>	<b>19,439</b>	<b>93,459</b>
<b>Financial liabilities</b>				
Non Current borrowings	-	43,012	27,632	70,644
Current borrowings	5,799	-	-	5,799
Other Financial Liabilities	37,772	1,520	146	39,438
Trade and Other payables	74,958	-	-	74,958
<b>Total financial liabilities</b>	<b>1,18,529</b>	<b>44,532</b>	<b>27,778</b>	<b>1,90,839</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 movable, immovable properties and entire current assets to its consortium of bankers as detailed in note 20 and 25. The term lenders also have a second charge on the varied current assets.

**Note 49: Capital management**

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

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

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

\*Includes current maturities of long term borrowings



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

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

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

## **Note 50: Events after the reporting period**

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

## **Note 51: Standards issued but not yet effective**

### **Ind AS 115 – Revenue from Contracts with Customers**

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

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

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

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.:324982E/E300003

**per Vinayak Pujare**

Partner

Membership Number: 101143

Place: Mumbai

Date: April 30, 2018

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

For and on behalf of Board of Directors of CEAT Limited

**H.V. Goenka**

Chairman

**Mahesh Gupta**

Chairman- Audit Committee

**Anant Goenka**

Managing Director

# AOC-1

## Annexure-I Form 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 ₹ Lacs)

1	SI No.	1	2	3	4	5
2.	Name of the subsidiary	Associated CEAT Holdings Company (Pvt.) Limited	CEAT AKKhan Limited	CEAT Specialty Tyres Limited	Rado Tyres Limited (RTL)	CEAT Specialty Tires Inc. (Subsidiary of CSTL)
3.	The date since when subsidiary was acquired (date on which entity become subsidiary)	27.10.2009	30.05.2012	8.12.2014	27.09.2013	11.07.2017
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Uniform	Uniform	Uniform	Uniform	Uniform
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	1 LKR = ₹ 0.4188	1 BDT = ₹ 0.7787	₹ Not Applicable	₹ Not Applicable	1 USD = ₹ 65.18
6.	Share capital	419	11,681	1,805	643	3
7.	Reserves & surplus	12,908	(2,767)	10,195	(1,458)	46
8.	Total assets	67	10,549	46,820	711	56
9.	Total Liabilities	13	1,635	34,820	1,526	8
10.	Investments	13,272	-	-	0	-
11.	Turnover	-	5,859	26,637	17	-
12.	Profit before taxation	3,013	(121)	(3,738)	(870)	24
13.	Provision for taxation	(633)	242	-	-	(2)
14.	Profit after taxation	2,380	(363)	(3,738)	(870)	22
15.	Proposed Dividend	-	-	-	-	-
16.	% of shareholding	100%	70%	100%	58.56%	CSTL holding is 100 %

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

**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 Associates/Joint Ventures	Tyresmore Online Private Limited (associate)	CEAT Kelani Holdings Company (Pvt.) Limited (joint venture)
1. Latest audited Balance sheet Date	March 31, 2018	March 31, 2018
2. Date on which the Associate or Joint Venture was associated or acquired (date on which entity become associate or joint venture)	21.08.2017	27.10.2009
3. Shares of Associate/Joint Ventures held by the company on the year end		
No.	100 Equity shares of ₹ 1 each 50,855 0.001% compulsory convertible preference shares of Tyresmore Online Private Limited of ₹ 1 each	1,00,00,000 Shares
Amount of Investment in Associates/Joint Venture	₹ 400 lacs	₹ 4,357.46 lacs (Investment through the Company's wholly owned subsidiary Associated CEAT Holdings Company (Pvt) Limited)
Extent of holding %	31.93%	50%
4. Description of how there is a significant influence	By holding more than 20% share	By holding more than 20% share
5. Reason why the associate/joint venture is not consolidated	Not Applicable	Not Applicable
6. Networth attributable to Shareholding as per latest audited Balance Sheet	₹ 102 lacs	₹ 14,869 lacs
7. Profit / Loss for the year		
i. Considered in Consolidation	₹ (29) lacs	₹ 2,330 lacs
ii. Not Considered in Consolidation	₹ (83) lacs	₹ 2,330 lacs

1. Names of associates or joint ventures which are yet to commence operations - Not Applicable

2. 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 30, 2018

# 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"), its associate and jointly controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2018, 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 Ind AS 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 including its associate 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 associate and 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 of its associate 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 Matters 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, associate 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, its associate and jointly controlled entities as at March 31, 2018, 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.

## Other Matter

We did not audit the financial statements and other financial information, in respect of three subsidiaries, one associate and five jointly controlled entities, whose Ind AS financial statements and other financial information are considered in these consolidated Ind AS financial statements. The Ind AS financial statements of these subsidiaries reflect total assets of ₹ 24,600 lacs and net assets of ₹ 21,426 lacs as at March 31, 2018, total revenues of ₹ 6,013 lacs and net cash outflows of ₹ 2,140 lacs respectively, for the year ended on that date. The accompanying consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 2,301 lacs for the year ended March 31, 2018, in respect of one associate and five jointly controlled entities. The Ind AS financial statements and other financial information of the above

referred subsidiaries, associate and jointly controlled entities, have been audited by other auditors, whose financial statements, other financial information and auditor's reports have been furnished to us by the Management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associate 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, associate and jointly controlled entities, is based solely on the reports of such other auditors and the financial statements and other financial information certified by the Management.

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, 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.

### 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, associate 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, 2018 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 and associate incorporated in India, none of the directors of the Group's companies and associate incorporated in India is disqualified as on March 31, 2018 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 report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates 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, its associate and jointly controlled entities. Refer Note 22 & Note 46(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, its associate and jointly controlled entities;
  - iii. Following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended.

Due date	Date of payment	Amount of payment	Average delay days
Jul' 17 to Mar' 18	Oct' 17 and April' 18	3,20,875	113

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 30, 2018

# INDEPENDENT AUDITOR'S REPORT

## **Annexure to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Ceat Limited**

### **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, 2018, 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, 2018, 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 30, 2018



# CONSOLIDATED BALANCE SHEET

as at March 31, 2018

(₹ in lacs)

Particulars	Note no.	As at March 31, 2018	As at March 31, 2017
<b>I Assets</b>			
<b>(1) Non-current assets</b>			
(a) Property, plant and equipment	3	2,64,361	2,38,329
(b) Capital work-in-progress	3	30,935	31,928
(c) Intangible assets	4	8,018	6,924
(d) Intangible assets under development	4	61	698
(e) Financial assets			
(i) Investments	5	17,346	16,733
(ii) Loans	6	314	8
(iii) Other financial assets	7	202	578
(f) Non-current tax assets (net)	23	3,944	3,959
(g) Other non-current assets	8	9,457	8,340
<b>Total non-current assets</b>		<b>3,34,638</b>	<b>3,07,497</b>
<b>(2) Current assets</b>			
(a) Inventories	9	78,461	94,348
(b) Financial assets			
(i) Investments	10	4,006	6,427
(ii) Trade receivables	11	74,723	61,380
(iii) Cash and cash equivalents	12	8,218	2,401
(iv) Bank balances other than cash and cash equivalent	13	407	1,191
(v) Loans	14	36	127
(vi) Other financial assets	15	956	1,371
(c) Other current assets	16	14,654	16,952
<b>Total current assets</b>		<b>1,81,461</b>	<b>1,84,197</b>
<b>Total assets</b>		<b>5,16,099</b>	<b>4,91,694</b>
<b>II Equity and liabilities</b>			
<b>(1) Equity</b>			
(a) Equity share capital	17	4,045	4,045
(b) Other equity	18	2,56,564	2,37,450
<b>Equity attributable to equity holders of parent</b>		<b>2,60,609</b>	<b>2,41,495</b>
(c) Non-controlling interest		2,337	2,915
<b>Total equity</b>		<b>2,62,946</b>	<b>2,44,410</b>
<b>(2) Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	20	45,116	85,243
(ii) Other financial liabilities	21	323	1,666
(b) Provisions	22	3,438	3,633
(c) Deferred tax liabilities (net)	23	18,929	14,492
(d) Deferred revenue	24	1,352	1,465
<b>Total non-current liabilities</b>		<b>69,158</b>	<b>1,06,499</b>
<b>(3) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	25	19,557	5,799
(ii) Trade payables	26	87,051	75,821
(iii) Other financial liabilities	27	59,428	40,747
(b) Deferred revenue	24	103	82
(c) Provisions	22	5,038	5,382
(d) Current tax liabilities (net)	23	3,098	2,262
(e) Other current liabilities	28	9,720	10,692
<b>Total current liabilities</b>		<b>1,83,995</b>	<b>1,40,785</b>
<b>Total equity and liabilities</b>		<b>5,16,099</b>	<b>4,91,694</b>
Summary of 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 30, 2018

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

For and on behalf of Board of Directors of CEAT Limited

**H.V. Goenka**

Chairman

**Mahesh Gupta**

Chairman- Audit Committee

**Anant Goenka**

Managing Director

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2018

Particulars	Notes	(₹ in lacs)	
		2017-18	2016-17
<b>I Income</b>			
Revenue from operations	29	639,968	644,130
Other income	30	2,946	1,863
<b>Total income</b>		<b>642,914</b>	<b>645,993</b>
<b>II Expenses</b>			
Cost of material consumed	31	365,214	330,888
Purchase of stock-in-trade		7,112	16,638
Changes in inventories of finished goods, stock-in-trade and work-in-progress	32	8,674	(7,549)
Employee benefit expense	33	43,827	40,631
Finance costs	34	9,735	8,172
Depreciation and amortization expense	35	16,861	14,308
Excise duty on sale of goods		16,891	67,479
Other expenses	36	136,773	130,365
<b>Total expenses</b>		<b>605,087</b>	<b>600,932</b>
<b>III Profit before share of profit / (loss) of associate, joint venture, exceptional items and tax</b>		<b>37,827</b>	<b>45,061</b>
<b>IV Share of profit / (loss) of associate and joint venture</b>	43, 44	2,301	2,837
<b>V Profit before exceptional items and tax</b>		<b>40,128</b>	<b>47,898</b>
<b>VI Exceptional items</b>	37	3,396	1,333
<b>VII Profit before tax</b>		<b>36,732</b>	<b>46,565</b>
<b>VIII Tax expense</b>	23		
Current tax		10,639	11,660
Deferred tax		2,764	(1,018)
<b>IX Profit for the year</b>		<b>23,329</b>	<b>35,923</b>
Attributable to			
(a) Non-controlling interest		(469)	(192)
(b) Equity holders of the parent		23,798	36,115
<b>X Other comprehensive income (OCI)</b>			
<b>(a) Items that will not be reclassified subsequently to the statement of profit and loss</b>			
(i) Remeasurement gains/(losses) on defined benefit plans		1,042	(416)
(ii) Income tax relating to above		(368)	165
<b>(b) Items that will be reclassified subsequently to the statement of profit and loss</b>			
(i) Net movement on cash flow hedges		646	73
(ii) Income tax relating to above		(380)	131
(iii) Net movement in foreign exchange fluctuation reserve		(412)	(64)
<b>Total other comprehensive income for the year (net of tax)</b>		<b>528</b>	<b>(111)</b>
<b>XI Total Comprehensive Income for the year (Comprising profit and other comprehensive income for the year)</b>		<b>23,857</b>	<b>35,812</b>
Attributable to			
(a) Non-controlling interest		(475)	(192)
(b) Equity holders of the parent		24,332	36,004
<b>XII Earnings per equity share (of ₹ 10 each)</b>	39		
(a) Basic (in ₹)		58.83	89.28
(b) Diluted (in ₹)		58.83	89.28
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 30, 2018

**Shruti Joshi**

Company Secretary

**Mahesh Gupta**

Chairman- Audit Committee

Place: Mumbai

Date: April 30, 2018

# CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended March 31, 2018

Particulars	2017-18	2016-17
	(₹ in lacs)	
<b>A) Cash Flow From Operating Activities</b>		
<b>Profit before tax and share of profit / (loss) of associate and joint venture</b>	34,431	43,728
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortization	16,861	14,308
Interest income	(1,085)	(546)
Finance costs	9,735	8,172
Dividend income	(2)	(23)
Provision for obsolescence of stores and spares	120	-
Provision for doubtful debts / advances	371	670
Credit balances written back	(248)	(590)
Bad debts written off	50	59
(Profit) / Loss on sale of investments (net)	(1,065)	(283)
(Profit) / Loss on sale of property, plant and equipment (net)	929	555
Unrealised foreign exchange (gain) / loss (net)	(42)	(78)
Remeasurement gain / (loss) on defined benefit plans	1,042	(416)
Foreign Currency Translation Reserve on Consolidation	(412)	(181)
<b>Operating profit before working capital changes</b>	<b>60,685</b>	<b>65,375</b>
<b>Adjustments for:</b>		
Decrease / (Increase) in inventory	15,770	(30,377)
Decrease / (Increase) in trade receivables	(13,424)	(2,728)
Decrease / (Increase) in other current assets	2,352	302
Decrease / (Increase) in current loans and other financial assets	330	(3,008)
Decrease / (Increase) in non-current loans and other financial assets	(131)	(72)
Decrease / (Increase) in other non current asset	2,547	(7)
(Decrease) / Increase in trade payables	11,204	10,806
(Decrease) / Increase in current financial liabilities and other current liabilities	(1,322)	2,005
(Decrease) / Increase in non-current financial liabilities and deferred revenue	(113)	69
(Decrease) / Increase in current provisions	(343)	678
(Decrease) / Increase in non-current provisions	(196)	596
<b>Cash flows from operating activities</b>	<b>77,359</b>	<b>43,639</b>
Direct taxes paid (net of refunds)	(9,787)	(10,173)
<b>Net cash flows from operating activities (A)</b>	<b>67,572</b>	<b>33,466</b>
<b>B) Cash Flow From Investing Activities</b>		
Purchase of property, plant and equipment (including capital work-in progress and capital advance)	(48,718)	(58,771)
Proceeds from sale of property, plant and equipment	-	531
Withdrawal of bank deposits (having original maturity of more than three months)	798	4,408
Investment in margin money deposit with banks	99	(814)
Changes in other bank balances	(14)	202
Purchase of non current investments	(613)	(1,205)
Purchase of current investment (net)	3,486	(2,123)
Interest received	1,151	569
Share of profit from joint venture	2,301	2,837
Dividend received from investment	2	23
<b>Net cash used in investing activities (B)</b>	<b>(41,508)</b>	<b>(54,343)</b>

Particulars	(₹ in lacs)	
	2017-18	2016-17
<b>C) Cash Flow From Financing Activities</b>		
Interest paid	(9,725)	(7,649)
Repayment of public deposit	(9)	(3,469)
Change in other short-term borrowings (net)	3,267	4,685
Proceeds from short-term buyers credit	29,013	-
Repayment of short-term buyers credit	(18,522)	-
Proceeds from long-term borrowings	28,104	36,309
Repayment of long-term borrowings	(47,095)	(7,898)
Dividend paid	(4,727)	(66)
Dividend distribution tax paid	(553)	-
<b>Net cash flows from / (used in) financing activities (C)</b>	<b>(20,247)</b>	<b>21,912</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>5,817</b>	<b>1,035</b>
<b>Cash and cash equivalents at the beginning of the year (refer note 12)</b>	<b>2,401</b>	<b>1,366</b>
<b>Cash and cash equivalents at the end of the year (refer note 12)</b>	<b>8,218</b>	<b>2,401</b>

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 30, 2018

**Kumar Subbiah**

Chief Financial Officer

**Shruti Joshi**

Company Secretary

Place: Mumbai

Date: April 30, 2018

For and on behalf of Board of Directors of CEAT Limited

**H.V. Goenka**

Chairman

**Mahesh Gupta**

Chairman- Audit Committee

**Anant Goenka**

Managing Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2018

Particulars	Other equity										Total other equity	Non-controlling interest	Total equity
	Equity share capital (refer note 17)	Securities premium reserve (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))	Cash flow hedge reserve (refer note 18(d))	Items of other comprehensive income	Foreign currency translation reserve (refer note 18(f))			
<b>As at April 1, 2016</b>	4,045	56,703	1,405	390	1,667	20,165	1,20,985	4	110	2,01,429	3,224	2,08,698	
Profit for the year	-	-	-	-	-	36,115	-	-	-	36,115	(192)	35,923	
Other comprehensive income	-	-	-	-	-	(251)	204	204	(64)	(111)	-	(111)	
<b>Total comprehensive income</b>	-	-	-	-	-	35,864	204	204	(64)	36,004	(192)	35,812	
Decrease in capital reserve	-	-	(14)	-	-	-	-	-	-	(14)	-	(14)	
Transfer to debenture redemption reserve	-	-	-	-	-	(1,667)	-	-	-	(1,667)	-	(1,667)	
Transfer from retained earnings	-	-	-	-	1,667	-	-	-	-	1,667	-	1,667	
Forex gain/(loss) on restatement of Non-controlling interest	-	-	-	-	-	-	-	-	-	-	(117)	(117)	
Others	-	-	-	-	-	31	-	-	-	31	-	31	
<b>As at March 31, 2017</b>	4,045	56,703	1,391	390	3,334	20,165	1,55,213	208	46	2,37,450	2,915	2,44,410	
Profit for the year	-	-	-	-	-	23,798	-	-	-	23,798	(469)	23,329	
Other comprehensive income	-	-	-	-	-	680	266	266	(412)	534	(6)	528	
<b>Total comprehensive income</b>	-	-	-	-	-	24,478	266	266	(412)	24,332	(475)	23,857	
Payment of dividend (Refer note 19)	-	-	-	-	-	(4,652)	-	-	-	(4,652)	-	(4,652)	
Payment of dividend distribution tax (DDT) (Refer note 19)	-	-	-	-	-	(553)	-	-	-	(553)	-	(553)	
Transfer to debenture redemption reserve	-	-	-	-	-	(1,667)	-	-	-	(1,667)	-	(1,667)	
Transfer from retained earnings	-	-	-	-	1,667	-	-	-	-	1,667	-	1,667	
Decrease in capital reserve	-	-	(13)	-	-	-	-	-	-	(13)	-	(13)	
Forex gain/(loss) on restatement of non-controlling interest	-	-	-	-	-	-	-	-	-	-	(103)	(103)	
<b>As at March 31, 2018</b>	4,045	56,703	1,378	390	5,001	20,165	1,72,819	474	(366)	2,56,564	2,337	2,62,946	

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 30, 2018

For and on behalf of Board of Directors of CEAT Limited

**Kumar Subbiah**  
Chief Financial Officer

**H.V. Goenka**  
Chairman

**Anant Goenka**  
Managing Director

**Mahesh Gupta**  
Chairman- Audit Committee

**Shruti Joshi**  
Company Secretary

Place: Mumbai  
Date: April 30, 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Notes 1: Corporate information

The consolidated financial statements comprise financial statements of CEAT Limited (“the Company”) and its subsidiaries (collectively, “the Group”), associate and jointly controlled entities for the year ended March 31, 2018. The Company 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 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 30, 2018.

## 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.

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 consolidated financial statements are presented in ₹ except when otherwise indicated.

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

### 2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, 2018. The Group’s investment in jointly controlled entities and associates are accounted for using the equity method. 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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 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, associate and jointly controlled entities 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 (CSTL)
- CEAT Specialty Tires, Inc. (Subsidiary of CSTL)

### 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

### Associate:

- TyresNmore Online Pvt Ltd

## 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 business combinations entered into before that date, have been carried forward with minimal adjustment. The same first time adoption exemption is also used for joint venture.

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 profit or 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 profit or 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 and associate

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.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 and associate are accounted for using the equity method. Under the equity method, the investment in a joint venture or associate 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 or associate since the acquisition date. Goodwill relating to joint venture or associate 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 and associate. 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 or associate, 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 or associate are eliminated to the extent of the interest in joint venture.

The aggregate of the Group's share of profit or loss of a joint venture and associate is shown on the face of the statement of profit and loss.

The financial statements of joint venture and associate 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 or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of joint venture or associate and its



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

carrying value, and then recognises the loss as 'Share of profit of a joint venture and associate' 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.

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

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

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

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

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

### Sale of goods:

Revenue from the sale of goods (i.e. tyres, tubes and flaps) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from the sale of tyres, tubes and flaps is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates, cash discounts, sales taxes and value added taxes/ GST. The 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 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 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 under Merchandise Export from India Scheme (MEIS) is recognised 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 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 P&L 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
- 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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

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

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

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

#### 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

Capital work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the 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 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 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.

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	6-15 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.

## 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 profit or 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.
- 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

- 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.

## 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 the 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 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 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 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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 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 or 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:

- 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 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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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. There is no recycling of the amounts from other comprehensive income 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.

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
- f) Financial guarantee contracts 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.

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. 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 profit or 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## 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.

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 the statement of profit and loss.
FVTPL	Amortised 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.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in other comprehensive income. 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 other comprehensive income 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 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.

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.

## 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

## 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 or 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.

Amounts recognised as OCI are transferred to the 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.

## 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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.

## 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 other comprehensive income (OCI) or the statement of profit and loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into INR 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 rate 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.

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

(₹ in lacs)

Particulars	Freehold land (refer foot note 7)	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
<b>Gross carrying amount</b>										
As at April 1, 2016	41,815	10,365	29,792	1,22,922	34	955	579	919	29,824	2,37,205
Additions	-	9	3,961	51,233	2	206	25	741	57,235	1,13,412
Disposals	-	-	(103)	(539)	-	-	(80)	0	-	(722)
Transfers/ capitalised	-	-	-	-	-	-	-	-	(56,140)	(56,140)
Adjustments during the year	-	(1,286)	(1,262)	1,262	-	-	-	-	1,286	-
Foreign Exchange Adjustment	-	-	-	(2)	-	(1)	-	(1)	(277)	(281)
<b>As at March 31, 2017</b>	<b>41,815</b>	<b>9,088</b>	<b>32,388</b>	<b>1,74,876</b>	<b>36</b>	<b>1,160</b>	<b>524</b>	<b>1,659</b>	<b>31,928</b>	<b>2,93,474</b>
Additions	6,731	1,550	5,148	28,528	-	224	146	115	41,635	84,077
Disposals	-	-	(184)	(1,586)	(2)	(11)	(7)	(393)	-	(2,183)
Transfers/ capitalised	-	-	-	-	-	-	-	-	(42,379)	(42,379)
Adjustments during the year	-	-	-	614	-	12	-	(450)	-	176
Foreign Exchange Adjustment	-	-	-	(1)	-	(1)	-	(1)	(249)	(252)
<b>As at March 31, 2018</b>	<b>48,546</b>	<b>10,638</b>	<b>37,352</b>	<b>2,02,431</b>	<b>34</b>	<b>1,384</b>	<b>663</b>	<b>930</b>	<b>30,935</b>	<b>3,32,913</b>
<b>Accumulated depreciation</b>										
As at April 1, 2016	-	93	977	8,665	1	93	113	109	-	10,051
Depreciation for the year*	-	128	1,133	11,647	2	120	89	220	-	13,339
On disposals	-	-	(34)	(107)	-	-	(31)	(0)	-	(172)
Adjustments during the year	-	-	(9)	9	-	-	-	-	-	-
Foreign Exchange Adjustment	-	-	-	(1)	-	-	-	0	-	(1)
<b>As at March 31, 2017</b>	<b>-</b>	<b>221</b>	<b>2,067</b>	<b>20,213</b>	<b>3</b>	<b>213</b>	<b>171</b>	<b>329</b>	<b>-</b>	<b>23,217</b>
Depreciation for the year*	-	136	1,288	13,506	-	158	102	287	-	15,477
On disposals	-	-	(76)	(768)	-	(4)	(6)	(389)	-	(1,243)
Adjustments during the year	-	-	-	285	-	2	-	(120)	-	167
Foreign Exchange Adjustment	-	-	-	(1)	-	-	-	-	-	(1)
<b>As at March 31, 2018</b>	<b>-</b>	<b>357</b>	<b>3,279</b>	<b>33,235</b>	<b>3</b>	<b>369</b>	<b>267</b>	<b>107</b>	<b>-</b>	<b>37,617</b>
<b>Net book value:</b>										
As at March 31, 2017	41,815	8,867	30,321	1,54,663	33	947	353	1,330	31,928	2,70,257
As at March 31, 2018	48,546	10,281	34,073	1,69,196	31	1,015	396	823	30,935	2,95,296

Adjustments include regrouping of certain assets into other class of assets (refer note 4)

\* The depreciation for the period includes ₹ 26 lacs (March 31, 2017 ₹ 53 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, 2018

## Net book value

Particulars	(₹ in lacs)	
	March 31, 2018	March 31, 2017
Property, plant and equipment	2,64,361	2,38,329
Capital work in progress	30,935	31,928

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

Particulars	Note No.	(₹ in lacs)	
		2017-18 ₹ Lacs	2016-17 ₹ Lacs
Finance Cost	34	1,360	3,220
Professional and consultancy charges	36	623	457
Miscellaneous expenses	36	485	2,522
Employee benefit expenses	33	960	609
Travelling & Conveyance	36	67	175
<b>Total</b>		<b>3,495</b>	<b>6,983</b>

- As a part of ongoing expansion project at Halol-Phase II, during the year the Company has capitalised and commissioned assets of ₹ 2,364 lacs (March 31, 2017 ₹ 18,343 lacs). This has resulted in the installed capacity as on March 31, 2018 to 120 MT per day (March 31, 2017 76 MT per day).
- As a part of ongoing expansion project at Halol-Phase III, during the year the Company has capitalised and commissioned assets of ₹ 79 Lacs. The planned expansion project of 208 MT per day is expected to be commissioned, in phase, by end of March 2020.
- As a part of ongoing expansion project at Butibori, near Nagpur, Maharashtra, the Company has capitalised and commissioned the assets amounting to ₹ 5,067 lacs (March 31, 2017 ₹ 22,996 lacs.). This has resulted in the installed capacity as on March 31, 2018 to 91 MT per day (March 31, 2017 54 MT per day). The Planned expansion project of 120 MT per day is expected to be commissioned, in phases, by end of FY 2018-19.
- During the previous year, subsidiary company CEAT Specialty tyres limited had commissioned its Greenfield Unit, situated at Ambarnath, Maharashtra. Accordingly, the Company has capitalised the assets amounting to ₹ 19,632 lacs (March 31, 2017 ₹ 35 lacs.). This has resulted in the installed capacity as on March 31, 2018 to 40 MT per day (March 31, 2017 Nil MT per day).
- As a part of green field expansion plan, during the year the Company has acquired land for ₹ 6,731 lacs.
- The amount of borrowing cost capitalised during the year ended March 31, 2018 is ₹ 1,360 lacs (March 31, 2017: ₹ 3,220). The rates used to determine the amount of borrowing cost eligible for capitalisation was in range of 9.62% to 7.79% (March 31, 2017 8.74% to 8.89%) which is the effective interest rate of specific borrowings.
- Refer note 20 for details on pledges and securities.

**Note 4: Intangible assets**

(₹ in lacs)

Particulars	Software	Brand (refer foot note 1)	Technical Knowhow (refer foot note 2)	Product development	Total
<b>Cost</b>					
<b>As at April 1, 2016</b>	<b>1,449</b>	<b>4,404</b>	<b>704</b>	<b>-</b>	<b>6,557</b>
Additions	1,037	-	-	1,032	2,069
Disposals	-	-	-	-	-
Foreign Exchange Adjustments	(1)	-	-	-	(1)
<b>As at March 31, 2017</b>	<b>2,485</b>	<b>4,404</b>	<b>704</b>	<b>1,032</b>	<b>8,625</b>
Additions	2,119	-	-	394	2,513
Disposals	-	-	-	-	-
Adjustments during the year*	(176)	-	-	-	(176)
Foreign Exchange Adjustments	(1)	-	-	-	(1)
<b>As at March 31, 2018</b>	<b>4,427</b>	<b>4,404</b>	<b>704</b>	<b>1,426</b>	<b>10,961</b>
<b>Accumulated amortization</b>					
<b>As at April 1, 2016</b>	<b>375</b>	<b>265</b>	<b>41</b>	<b>-</b>	<b>681</b>
Amortization for the year	656	264	41	61	1,022
Disposals	-	-	-	-	-
Foreign Exchange Adjustments	(2)	-	-	-	(2)
<b>As at March 31, 2017</b>	<b>1,029</b>	<b>529</b>	<b>82</b>	<b>61</b>	<b>1,701</b>
Amortization for the year	891	265	41	213	1,410
Disposals	-	-	-	-	-
Adjustments during the year*	(167)	-	-	-	(167)
Foreign Exchange Adjustments	(1)	-	-	-	(1)
<b>As at March 31, 2018</b>	<b>1,752</b>	<b>794</b>	<b>123</b>	<b>274</b>	<b>2,943</b>
<b>Net book value</b>					
<b>As at March 31, 2017</b>	<b>1,456</b>	<b>3,875</b>	<b>622</b>	<b>971</b>	<b>6,924</b>
<b>As at March 31, 2018</b>	<b>2,675</b>	<b>3,610</b>	<b>581</b>	<b>1,152</b>	<b>8,018</b>

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

(₹ in lacs)

Net Book Value	Intangible Assets under Development
As at March 31, 2017	698
As at March 31, 2018	61

- 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.
- 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, 2018

## Note 5: Investments

	Face Value	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)			
<b>Non-current (non-trade)</b>			
<b>Investment in Joint venture (at amortised cost) (refer note 43)</b>			
CEAT Kelani Holding Company (Pvt.) Limited		16,975	16,733
<b>Investment in Associate (refer note 44)</b>			
Tyresmore Online Private Limited	₹ 1	371	-
<b>Unquoted equity shares (at amortised cost)</b>			
Investment in 1,800 equity shares of Maestro Comtrade Private Limited (as at March 31, 2017: 1,800)	₹ 10	0	0
<b>Investment in others (at amortised cost)</b>			
National Saving Certificates VIII issue*		0	0
Rado Employees Co-operative Society		0	0
<b>Aggregate value of unquoted investments</b>		<b>17,346</b>	<b>16,733</b>

\* Pledged as security for sales tax purpose

## Note 6: Loans

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non current (at amortised cost)</b>		
<b>Secured, considered good</b>		
Security deposits	298	-
<b>Unsecured, considered good</b>		
Security deposits	16	8
<b>Unsecured, considered doubtful</b>		
Security deposits	128	92
Less: Provision made for doubtful deposits	(128)	(92)
<b>Total</b>	<b>314</b>	<b>8</b>

## Note 7: Other financial assets

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non current</b>		
<b>Unsecured, considered good</b>		
<b>At amortised cost</b>		
Margin money deposits*	202	354
Other financial assets	-	224
<b>Total</b>	<b>202</b>	<b>578</b>

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

**Note 8: Other non-current assets**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
<b>Unsecured, considered good</b>		
Capital advances	7,728	4,063
Security deposits with statutory authorities	1,723	4,270
Others	6	7
<b>Unsecured, considered doubtful</b>		
Balance with government authorities and agencies	304	294
Less: Provision made for deposits	(304)	(294)
<b>Total</b>	<b>9,457</b>	<b>8,340</b>

**Note:**

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

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

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
a) Raw materials	28,053	37,826
Goods in transit	8,114	4,894
	<b>36,167</b>	<b>42,720</b>
b) Work-in-progress	3,095	3,149
c) Finished goods (Refer note (1))	32,416	40,779
d) Stock-in-trade	2,739	3,859
Goods in transit	793	507
	<b>3,532</b>	<b>4,366</b>
e) Stores and spares	3,205	3,269
Goods in transit	46	65
	<b>3,251</b>	<b>3,334</b>
<b>Total</b>	<b>78,461</b>	<b>94,348</b>
<b>i) Details of finished goods</b>		
Automotive tyres	27,042	34,322
Tubes and others	5,374	6,457
<b>Total</b>	<b>32,416</b>	<b>40,779</b>

**Note:**

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

## Note 10: Investments

(₹ in lacs)

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

## Note 11: Trade receivables

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
Trade receivables from others	74,579	61,194
Trade receivables from related parties (refer note 47)	144	186
<b>Total receivables</b>	<b>74,723</b>	<b>61,380</b>

(₹ in lacs)

	As at March 31, 2018	As at March 31, 2017
<b>Break-up for security details</b>		
Secured, considered good*	25,314	22,769
Unsecured, considered good	49,426	38,611
Doubtful	2,129	3,326
<b>Total</b>	<b>76,869</b>	<b>64,706</b>
Allowance for doubtful trade receivables	(2,146)	(3,326)
<b>Total</b>	<b>74,723</b>	<b>61,380</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.
- Trade receivables are non-interest bearing within the credit period which is generally 30 to 60 days.
- For terms and conditions relating to related party receivables, refer note 47.

**Note 12: Cash and cash equivalents**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
<b>Balances with Banks</b>		
On current accounts	1,509	930
On remittance in transit	6,702	1,013
Cash on hand	7	8
Deposits with maturity of less than 3 months	-	450
<b>Cash and cash equivalents as per statement of cash flow</b>	<b>8,218</b>	<b>2,401</b>

**Note 13: Bank balances other than cash and cash equivalents**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Deposits with Maturity of more than 3 months but less than 12 months	71	869
Balances held for unclaimed public deposits and interest thereon (Refer foot note a)	111	128
Balances held for unpaid/unclaimed dividend accounts (Refer foot note b)	225	194
<b>Total</b>	<b>407</b>	<b>1,191</b>

**Note:**

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

**Note 14: Loans**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
<b>Current (at amortised cost)</b>		
<b>Unsecured, considered good</b>		
Advance receivable in cash	36	-
Other receivables	-	127
<b>Unsecured, considered doubtful</b>		
Loans advances and deposits	163	163
Less: Provision for doubtful advances and deposits	(163)	(163)
<b>Total</b>	<b>36</b>	<b>127</b>

**Note 15: Other financial assets**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
<b>Current</b>		
<b>Unsecured, considered good</b>		
<b>At amortised cost</b>		
Advance receivable in cash	206	953
Other receivables*	473	-
Interest receivable	10	5
Receivable from joint ventures (refer note 47)	267	290
Unamortised premium on forward contract	-	123
<b>Total</b>	<b>956</b>	<b>1,371</b>

\*Includes fair value of plan assets for gratuity(net) of ₹ 368 lacs (March 31, 2017: Nil) (refer note 45 for details)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 16: Other current assets

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Unsecured considered good</b>		
Advance receivable in kind or for value to be received	6,102	8,672
Balance with with government authorities	7,689	8,231
Advance to employees	184	
Other current assets	679	49
<b>Unsecured considered doubtful</b>		
Advance receivable in kind or for value to be received	44	44
Less: Provision for doubtful advances	(44)	(44)
<b>Total</b>	<b>14,654</b>	<b>16,952</b>

## Note 17: Equity share capital

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

### Issued share capital

Equity shares of ₹ 10 each issued

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

### Subscribed equity share capital

Equity shares of ₹ 10 each subscribed and fully paid

	Numbers	(₹ in lacs)
<b>At April 1, 2016</b>	4,04,50,092	4,045
Alloted during the year	-	-
<b>At March 31, 2017</b>	4,04,50,092	4,045
Alloted during the year	-	-
<b>At March 31, 2018</b>	<b>4,04,50,092</b>	<b>4,045</b>

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

### b) Terms/ rights attached to equity shares

The 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, 2018		As at March 31, 2017	
	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%
Swallow Associates LLP	44,84,624	11.09%	44,84,624	11.09%
Jwalamukhi Investment Holdings	32,53,841	8.04%	32,53,841	8.04%

- d) As per the records of the Company as at March 31, 2018 no calls remain unpaid by the directors and officers of the company.
- e) The Company has not issued any equity shares as bonus for consideration other than cash and has not bought back any shares during the period of five years immediately preceeding March 31, 2018.

### Note 18: Other equity

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Securities premium reserve (refer note a)	56,703	56,703
Capital reserve (refer note b)	1,378	1,391
Capital redemption reserve (refer note c)	390	390
Cash flow hedge reserve (refer note d)	474	208
Debenture redemption reserve (DRR) (refer note e)	5,001	3,334
Foreign currency translation reserve (refer note f)	(366)	46
General reserve (refer note g)	20,165	20,165
Retained earnings (refer note h)	1,72,819	1,55,213
<b>Total other equity</b>	<b>2,56,564</b>	<b>2,37,450</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, 2016	56,703
At March 31, 2017	56,703
At March 31, 2018	<b>56,703</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, 2016	<b>1,405</b>
Add: Foreign Exchange fluctuation on restatement of capital reserve	(14)
At March 31, 2017	<b>1,391</b>
Less: Foreign Exchange fluctuation on restatement of capital reserve	(13)
At March 31, 2018	<b>1,378</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## 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, 2016	390
At March 31, 2017	390
At March 31, 2018	<b>390</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, 2016	<b>4</b>
Gain / (Loss) arising during the year	204
At March 31, 2017	<b>208</b>
Gain / (Loss) arising during the year	266
At March 31, 2018	<b>474</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, 2016	<b>1,667</b>
Add: Transfer from retained earnings during the year	1,667
At March 31, 2017	<b>3,334</b>
Add: Transfer from retained earnings during the year	1,667
At March 31, 2018	<b>5,001</b>

## 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 is accumulated to foreign currency translation reserve.

	(₹ in lacs)
At April 1, 2016	<b>110</b>
Gain / (Loss) arising during the year	(64)
At March 31, 2017	<b>46</b>
Gain / (Loss) arising during the year	(412)
At March 31, 2018	<b>(366)</b>

## g) General reserve

The general reserve is used from time to time to transfer profits from retained earnings for appropriation 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, 2016	20,165
At March 31, 2017	20,165
At March 31, 2018	<b>20,165</b>

**h) Retained earnings**

	(₹ in lacs)
<b>As at April 1,2016</b>	<b>1,20,985</b>
Profit for the year	36,115
Other comprehensive income	(251)
Transfer to debenture redemption reserve (DRR)	(1,667)
Others	31
<b>As at March 31,2017</b>	<b>1,55,213</b>
Profit for the year	23,798
Other comprehensive income	680
Transfer to debenture redemption reserve (DRR)	(1,667)
Payment of dividend	(4,652)
Payment of Dividend Distribution Tax (DDT)	(553)
<b>As at March 31,2018</b>	<b>1,72,819</b>

**Note 19: Distribution made and proposed**

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

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
<b>Proposed dividends on equity shares</b>		
Final cash dividend for the year ended on March 31, 2018: ₹ 11.50 per share (March 31, 2017: ₹ 11.50 per share)	4,652	4,652
Dividend Distribution Tax (DDT) on proposed dividend	956	947
	<b>5,608</b>	<b>5,599</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.

During the year ended March 31, 2018, 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 20: Borrowings (At amortised cost)

(₹ in lacs)

	Non-current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
<b>Interest bearing loans and borrowings</b>				
<b>I. Secured</b>				
<b>Debentures</b>				
Non-convertible debentures (Refer foot note 1)	19,956	19,950	-	-
<b>Term loans</b>				
<b>a) Indian rupee loan from banks</b>				
Export Import bank of India (refer foot note 2)	-	10,833	-	-
Kotak Mahindra Bank Limited (refer foot note 3)	-	2,943	-	-
HSBC Bank (refer foot note 4)	-	6,978	-	1,000
YES Bank Ltd. (refer foot note 5)	3,436	2,500	-	-
ICICI Bank Ltd. (refer foot note 6)	14,450	4,500	-	-
<b>b) Foreign currency loan from banks</b>				
ICICI Bank Ltd. - FCNR Loan (Refer foot note 7)	-	3,819	-	-
<b>c) Buyer's Credit (Refer foot note 8 &amp; 9)</b>	4,512	30,689	22,225	-
<b>II. Unsecured</b>				
a) Public deposits (Refer foot note 10)	0	0	-	-
b) Deferred sales tax incentive (Refer foot note 11)	2,762	3,031	269	358
	<b>45,116</b>	<b>85,243</b>	<b>22,494</b>	<b>1,358</b>
Less: amount classified under other current financial liabilities (refer note 27)	-	-	(22,494)	(1,358)
<b>Total</b>	<b>45,116</b>	<b>85,243</b>	<b>-</b>	<b>-</b>

- Non-Convertible Debentures (NCD) ₹ 20,000 lacs (March 31, 2017: ₹ 20,000 lacs) allotted on July 31, 2015 on private placement basis are secured by a first pari passu charge over the movable assets (except current assets) and immovable assets of the Company situated at the Nashik Plant. As at March 31, 2018, the NCDs carry an interest at 8.65% p.a. and is repayable as under:
  - NCD Series 1: ₹ 1,000 lacs (5% of the issue amount) repayable on July 31, 2019
  - NCD Series 2: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2020
  - NCD Series 3: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2021
  - NCD Series 4: ₹ 3,000 lacs (15% of the issue amount) repayable on July 31, 2022
  - NCD Series 5: ₹ 4,000 lacs (20% of the issue amount) repayable on July 31, 2023
  - NCD Series 6: ₹ 4,000 lacs (20% of the issue amount) repayable on July 31, 2024
  - NCD Series 7: ₹ 2,000 lacs (10% of the issue amount) repayable on July 31, 2025
- Term Loan from Export Import Bank of India (EXIM) NIL (March 31, 2017: ₹ 10,900 lacs) was pre-paid in full including interest thereon during the year. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) and immovable assets situated at the Halol plant and second pari passu charge on the current assets of the Company. It carried interest of 9.50% p.a. at the time of repayment.
- Term Loan from Kotak Mahindra Bank Limited NIL (March 31, 2017: ₹ 3,000 lacs) was pre-paid in full including interest thereon during the year. It was secured by first pari passu charge over the Company's movable assets (excluding current assets) and immovable assets situated at Halol plant and second pari passu charge over the current assets of the Company. It carried interest of 8.60% p.a. at the time of repayment.
- Term Loan from The Hong Kong and Shanghai Banking Corporation Limited (HSBC) NIL (March 31, 2017: ₹ 8,000 lacs) was pre-paid in full including interest thereon during the year. It was secured by a first pari passu charge over the Company's immovable assets situated at Bhandup plant. It carried interest at 8.33% p.a. at the time of repayment.

5. Term Loan from YES Bank of ₹ 3,500 lacs (March 31, 2017: ₹ 2,500 lacs) lacs is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower (Company's subsidiary-CSTL) situated at Amebrnath and second pari-passu, charge by way of hypothecation on all the current assets of the borrower (Company's subsidiary-CSTL). The creation of security for immovable properties situated at Ambernath is pending as on March 31, 2018. It carries interest at 9.15% p.a. as at March 31, 2018 and is repayable as under:

Year	% of loan	Schedule of repayment
2019-20	5.00%	To be repaid in 28 structured
2020-21	10.00%	quarterly instalments,
2021-22	12.50%	commencing (December 2019)
2022-23	15.00%	at the end of 13th quarter from
2023-24	15.00%	First Drawdown date
2024-25	16.25%	(September 2016).
2025-26	17.50%	
2026-27	8.75%	

6. Term Loan from ICICI Bank of ₹ 14,500 lacs (March 31, 2017: ₹ 4,500 lacs) is secured by first pari passu charge over all the movable and immovable fixed assets of the borrower (Company's subsidiary-CSTL) situated at Amebrnath and second pari-passu, charge by way of hypothecation on all the current assets of the borrower. The creation of security for immovable properties situated at Ambernath is pending as on March 31, 2018. It carries interest at 8.5% p.a. as at March 31, 2018 and is repayable as under:

Year	% of loan	Schedule of repayment
2019-20	2.50%	To be repaid in 28 structured
2020-21	10.00%	quarterly instalments,
2021-22	11.25%	commencing (March 2020)
2022-23	15.00%	at the end of 13th quarter
2023-24	15.00%	from First Drawdown date
2024-25	15.63%	(December 2016).
2025-26	17.50%	
2026-27	13.12%	

7. FCNR(B) Rupee Term Loan was converted to rupee term loan in full during the year. It was secured by first pari passu charge over all the movable and immovable fixed assets

of the borrower (Company's subsidiary-CSTL) and second pari-passu charge by way of hypothecation on all the current assets of the borrower. It carried interest @ 8.50% at the time of conversion.

8. Long-term buyer's credit (for Halol expansion project) is secured by way of first pari passu charge on all movable assets (excluding current assets) and immovable assets of the Company situated at Halol plant and second pari passu charge over the current assets of the Company. It is repayable within 3 years from the date of disbursement. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 35 bps p.a. to 12 months LIBOR plus 122 bps p.a. and 6 months LIBOR plus 52 bps p.a. to 6 months LIBOR plus 165 bps p.a. and 6 months EURIBOR plus 125 bps p.a. and 12 months EURIBOR plus 68 bps p.a. to 12 months EURIBOR plus 150 bps p.a. (Variation in range due to the movements in LIBOR/EURIBOR and the size of the deals.)
9. Long-term buyer's credit (for Nagpur project) is secured by way of first pari passu charge on all movable assets (excluding current Assets) and immovable assets of the Company situated at Nagpur plant. It is repayable within 3 years from the date of disbursement. The long-term buyer's credit carries interest in the range of 12 months LIBOR plus 20 bps p.a. to 12 months LIBOR plus 113 bps p.a. and 6 months LIBOR plus 50 bps p.a. to 6 months LIBOR plus 175 bps p.a. (Variation in range due to the movements in LIBOR/EURIBOR and the size of the deals.)

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

10. Public deposits included under the long-term borrowings were pre-paid in full including interest thereon on September 30, 2016.
11. Interest-free deferred sales tax is repayable in ten equal annual instalments commencing from April 26, 2011 and ending on April 30, 2025.
12. Outstanding balances shown in foot notes above, are grossed up to the extent of unamortised transaction cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 21: Other financial liabilities

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non-current</b>		
<b>At fair value through other comprehensive income</b>		
Derivative instruments	177	1,520
<b>At amortised cost</b>		
Security deposits	146	146
<b>Total other financial liabilities</b>	<b>323</b>	<b>1,666</b>

## Note 22: Provisions

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non-current provisions</b>		
Provision for warranty (refer note a)	886	777
Provision for compensated absences (refer foot note b)	2,481	2,635
Provision for Gratuity (refer note 45)	10	166
Provision for decommissioning liability (refer note c)	61	55
	<b>3,438</b>	<b>3,633</b>
<b>Current provisions</b>		
Provision for warranty (refer note a)	2,862	2,525
Provision for Gratuity (refer note 45)	-	1,017
Provision for compensated absences (refer foot note b)	318	284
Provision for indirect tax and labour matters (refer foot note d)	1,857	1,556
	<b>5,038</b>	<b>5,382</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.

	(₹ in lacs)
<b>Movement in provision for warranty</b>	
<b>As at April 1, 2016</b>	<b>3,030</b>
Additions during the year	5,756
Utilised during the year	(5,484)
<b>As at March 31, 2017</b>	<b>3,302</b>
Additions during the year	5,679
Utilised during the year	(5,233)
<b>As at March 31, 2018</b>	<b>3,748</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.

<b>Movement in provision for compensated absences</b>		(₹ in lacs)
<b>As at April 1, 2016</b>		<b>2,624</b>
Additions during the year		522
Utilised during the year		(227)
<b>As at March 31, 2017</b>		<b>2,919</b>
Additions during the year		158
Utilised during the year		(278)
<b>As at March 31, 2018</b>		<b>2,799</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.

<b>Movement in provision for decommissioning liability</b>		(₹ in lacs)
<b>As at April 1, 2016</b>		<b>49</b>
Additions during the year		6
Utilised during the year		-
<b>As at March 31, 2017</b>		<b>55</b>
Additions during the year		6
Utilised during the year		-
<b>As at March 31, 2018</b>		<b>61</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.

<b>Movement in provision for tax and labour matters</b>		(₹ in lacs)
<b>As at April 1, 2016</b>		<b>1,275</b>
Additions during the year		611
Utilised during the year		(330)
<b>As at March 31, 2017</b>		<b>1,556</b>
Additions during the year		783
Utilised during the year		(482)
<b>As at March 31, 2018</b>		<b>1,857</b>

**Note 23: Income tax and deferred taxes**

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

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Non current tax assets</b>		
Advance income tax (net of provisions)	3,944	3,959
<b>Current tax liabilities</b>		
Provision for income tax (net of advance tax)	3,098	2,262
<b>Deferred tax liabilities (net)</b>	<b>18,929</b>	<b>14,492</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Statement of profit and loss

	(₹ in lacs)	
	2017-18	2016-17
Current tax	10,639	11,660
Deferred tax	2,764	(1,018)
<b>Income tax expense reported in the statement of profit and loss</b>	<b>13,403</b>	<b>10,642</b>

## Other comprehensive income (OCI) section

Deferred tax related to items recognised in OCI during the year:

	(₹ in lacs)	
	2017-18	2016-17
Income tax effect on remeasurement of post employment benefit obligation	(368)	165
Income tax effect on movement in cash flow hedges	(380)	131
<b>Income tax expense charged to OCI</b>	<b>(748)</b>	<b>295</b>

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

	(₹ in lacs)	
	2017-18	2016-17
<b>Accounting profit before tax from continuing operations</b>	<b>36,732</b>	<b>46,565</b>
Income tax rate of 34.608%	12,712	16,115
Additional Deduction on Research and Development expense	(1,168)	(3,502)
Additional Deduction on Investment Allowance	-	(2,224)
Income taxable at special rates	(402)	(284)
Effect of exempt incomes	(40)	-
Impact of share of profit from joint venture	(806)	(982)
Others	125	(476)
<b>Non-deductible expenses for tax purposes:</b>		
Depreciation on revaluation	187	251
Corporate social responsibility (CSR) Expenses	185	175
Other non-deductible expenses	29	276
Impact of subsidiaries with no tax on account of losses	2,280	431
Impact of associate with no tax on account of losses	10	-
Difference in tax rates for certain entities of the group	238	147
Other Ind AS adjustments	53	715
<b>At the effective income tax rate of 36.49% (March 31, 2017: 22.85%)</b>	<b>13,403</b>	<b>10,642</b>

## Deferred tax

Deferred tax relates to the following

	Balance Sheet		Profit and Loss	
	As at March 31, 2018	As at March 31, 2017	2017-18	2016-17
Accelerated depreciation for tax purposes	(30,751)	(26,819)	3,932	7,870
MAT Credit entitlement*	7,245	6,842	(1,332)	(6,842)
Voluntary retirement scheme	1,604	952	(652)	(198)
Provision for doubtful debts	946	1,272	326	(579)
Undistributed profit of joint venture	(1,349)	(1,301)	48	117
Others	3,376	4,561	442	(1,386)
<b>Deferred tax expense/(income)</b>				
<b>Net deferred tax assets/(liabilities)</b>	<b>(18,929)</b>	<b>(14,492)</b>	<b>2,764</b>	<b>(1,018)</b>

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

**Reflected in the balance sheet as follows:**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Deferred tax assets	13,225	13,640
Deferred tax liabilities	(32,154)	(28,132)
<b>Deferred tax liabilities, net</b>	<b>(18,929)</b>	<b>(14,492)</b>

**Reconciliation of deferred tax liabilities (net)**

	(₹ in lacs)	
	2017-18	2016-17
<b>Opening balance as of April 1</b>	<b>(14,492)</b>	<b>(15,819)</b>
Tax income/(expense) during the period recognised in the statement of profit and loss	(2,764)	1,018
Tax income/(expense) during the period recognised in other comprehensive income	(748)	295
Others	(925)	14
<b>Closing balance as at March 31</b>	<b>(18,929)</b>	<b>(14,492)</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, 2018, there was no recognised deferred tax liability (March 31, 2017: ₹ 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, 2018, deferred tax liability of ₹ 1,349 lacs (March 31, 2017: ₹ 1,301 lacs) 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.

**Note 24: Deferred Revenue**

	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
<b>Opening balance</b>	<b>1,547</b>	<b>1,214</b>
Released to Statement of Profit and Loss	(92)	(82)
Addition	-	415
<b>Closing balance</b>	<b>1,455</b>	<b>1,547</b>
Current	103	82
Non Current	1,352	1,465
	<b>1,455</b>	<b>1,547</b>

The deferred revenue relates to accrual of custom duty availed on import of plant and equipment for Halol Phase I and Ambernath plant under EPCG scheme. As at March 31, 2018 the estimated amount for deferred revenue amounted to ₹ 1,455 lacs (March 31, 2017: ₹ 1,547 lacs).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 25: Borrowings

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Secured</b>		
Cash credit facilities from banks (repayable on demand) (Refer foot note a)	7,156	2,021
Export packing credit from banks (Refer foot note a)	1,955	1,297
Buyer's credit from banks (Refer foot note a)	10,446	-
<b>Unsecured</b>		
Commercial Paper (Refer foot note b)	-	2,481
	<b>19,557</b>	<b>5,799</b>

### Notes:

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

All short-term borrowings availed in Indian rupees during the current year carry interest in the range of 6.25% to 11.50% and all short-term borrowing availed in foreign currency during the year carry interest in the range of LIBOR plus 20 bps to LIBOR plus 90 bps. (LIBOR is set corresponding to the period of the loan)

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

## Note 26: Trade payables

	As at March 31, 2018	As at March 31, 2017
(₹ in lacs)		
<b>Trade Payables</b>		
Dues to micro and small enterprises (refer note a)		
Overdue	-	-
Not due	360	492
Other trade payables	84,712	74,668
Trade payables to related parties	1,979	661
	<b>87,051</b>	<b>75,821</b>

**Notes**

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

	As at March 31, 2018	As at March 31, 2017
	(₹ in lacs)	
i) The principal amount remaining unpaid to any supplier as at the end of each accounting year	360	492
ii) Interest due thereon remaining unpaid to any supplier as at the end of accounting year	-	-
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	12	-
iv) The amount of interest due and payable for the year	-	-
v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the Small Enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	12
The information disclosed above is to the extent available with the Company.		

b) Trade payables are non interest bearing and normally settled on 30 to 105 days

**Note 27: Other financial liabilities**

	As at March 31, 2018	As at March 31, 2017
	(₹ in lacs)	
<b>Current</b>		
<b>At fair value through other comprehensive income</b>		
Derivative financial instrument	23	211
<b>At amortised cost</b>		
Current maturities of long-term borrowings (refer note 20)	22,494	1,358
Interest accrued but not due on borrowings	214	412
Interest accrued but not due on Security deposit	13	11
Unpaid dividends	225	150
Unpaid matured deposits and interest accrued thereon #	117	128
Payable to capital vendors	4,759	6,525
Deposits from dealers & others	31,512	31,952
Others	71	-
	<b>59,428</b>	<b>40,747</b>

# Refer foot note a) below note 13 - Bank balances other than cash and cash equivalents

**Note 28: Other current liabilities**

	As at March 31, 2018	As at March 31, 2017
	(₹ in lacs)	
Statutory dues	7,914	9,766
Advance received from customers	1,804	922
Other payables	2	4
	<b>9,720</b>	<b>10,692</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 29: Revenue from operations

	(₹ in lacs)	
	2017-18	2016-17
Sale of products (Refer foot note a)	6,33,084	6,39,713
Other operating revenues		
Royalty income (refer note 47)	419	431
Sale of scrap	2,234	1,789
Government grants (Refer foot note b)	1,394	1,334
Other revenues	2,837	863
<b>Total</b>	<b>6,39,968</b>	<b>6,44,130</b>

### Note:

- a) Sale of goods includes excise duty collected from customers of ₹ 16,891 lacs (March 31, 2017: ₹ 67,479 lacs) (refer note 2(6)).
- b) The Group has recognised a government grant of ₹ 1,302 Lacs (March 31, 2017 ₹ 1,252 Lacs) as income on account of Export Incentive under Merchandise Exports from India Scheme (MEIS) from Directorate General of Foreign Trade, Government of India.

The Company has also recognised a government grant of ₹ 92 lacs (March 31, 2017: ₹ 82 lacs) relating to benefit received from Export Promotion Capital Goods (EPCG)

## Detail of sales under broad heads

	(₹ in lacs)	
	2017-18	2016-17
Automotive tyres	5,61,085	5,64,722
Tubes and others	71,999	74,991
<b>Sale of products</b>	<b>6,33,084</b>	<b>6,39,713</b>

## Note 30: Other income

	(₹ in lacs)	
	2017-18	2016-17
Interest income on		
Bank deposits	158	132
Other interest income	927	414
Dividend income on current investment	2	23
Other non-operating income	794	925
Net gain on disposal of investments*	1,065	283
Foreign exchange fluctuation (net)	-	86
<b>Total</b>	<b>2,946</b>	<b>1,863</b>

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

## Note 31: Cost of material consumed

	(₹ in lacs)	
	2017-18	2016-17
<b>Raw material</b>		
Opening stock of raw material	42,720	20,498
Add: Purchases	3,58,661	3,53,110
	<b>4,01,381</b>	<b>3,73,608</b>
Less: Closing stock	(36,167)	(42,720)
<b>Total</b>	<b>3,65,214</b>	<b>3,30,888</b>

	(₹ in lacs)	
	2017-18	2016-17
<b>Details of raw materials consumed</b>		
Rubber	1,87,779	1,74,710
Fabrics	51,933	50,137
Carbon black	49,944	40,338
Chemicals	42,610	36,731
Others	32,948	28,972
<b>Total</b>	<b>3,65,214</b>	<b>3,30,888</b>

	(₹ in lacs)	
	2017-18	2016-17
<b>Details of inventories</b>		
Rubber	23,678	32,701
Fabrics	3,513	3,258
Carbon black	1,513	1,636
Chemicals	4,031	2,703
Others	3,432	2,422
<b>Total</b>	<b>36,167</b>	<b>42,720</b>

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

	(₹ in lacs)	
	2017-18	2016-17
<b>Opening Stock</b>		
Work-in-progress	3,149	2,484
Finished goods	40,779	32,844
Stock-in-trade	4,366	4,917
	<b>48,294</b>	<b>40,245</b>
<b>Closing Stock</b>		
Work-in-progress	3,095	3,149
Finished goods	32,416	40,779
Stock-in-trade	3,532	4,366
	<b>39,043</b>	<b>48,294</b>
	9,251	(8,049)
Differential excise duty on opening and closing stock of finished goods	(577)	500
<b>Total</b>	<b>8,674</b>	<b>(7,549)</b>

### Note 33: Employee benefit expense

	(₹ in lacs)	
	2017-18	2016-17
Salaries, wages and bonus	35,824	33,435
Contribution to provident and other funds	1,932	1,829
Gratuity expenses (refer note 45)	627	533
Staff welfare expenses	5,444	4,834
<b>Total</b>	<b>43,827</b>	<b>40,631</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 34: Finance costs

	(₹ in lacs)	
	2017-18	2016-17
Interest on debts and borrowings	8,811	7,724
Other	537	83
<b>Total Interest expense</b>	<b>9,348</b>	<b>7,807</b>
Unwinding of asset retirement obligation	6	6
Unwinding of discount on provision for warranty	381	359
<b>Total finance cost</b>	<b>9,735</b>	<b>8,172</b>

## Note 35: Depreciation and amortization expense

	(₹ in lacs)	
	2017-18	2016-17
Depreciation on property, plant and equipment (refer note 3)	15,451	13,286
Amortization on intangible assets (refer note 4)	1,410	1,022
	<b>16,861</b>	<b>14,308</b>

## Note 36: Other expenses

	(₹ in lacs)	
	2017-18	2016-17
Conversion charges	35,481	38,151
Stores and spares consumed	4,752	4,734
Provision for obsolescence of stores and spares	120	-
Power and fuel	19,100	17,801
Freight and delivery charges	29,364	27,872
Rent for premises	801	99
Lease rent-vehicles	144	152
Rates and taxes	283	282
Insurance	469	349
Repairs - Machinery	4,951	4,647
- Buildings	489	570
- Others	77	82
Travelling and conveyance	3,755	3,388
Printing and stationery	279	233
Directors' fees (refer note 47)	52	67
Payment to auditors (refer foot note 1)	86	84
Cost audit fees	3	3
Advertisement and sales promotion expenses	15,508	12,662
Rebates and discounts	94	15
Commission on sales	212	340
Communication expenses	982	949
Bad debts and advances written off	1,547	96
Provision for doubtful debts written back	(1,497)	(37)
	<b>50</b>	<b>59</b>
Provision for doubtful debts and advances	371	670
Net loss on disposal of property, plant and equipment(net)	929	555
Legal charges	260	276
Foreign exchange fluctuations (net)	69	46
Professional and consultancy charges	3,058	2,679
Commission to directors (refer foot note 47)	421	481
Training and conference expenses	1,202	1,129
Miscellaneous expenses	11,712	10,195
Bank charges	628	784
Corporate social responsibility (CSR) expenses (refer foot note 2)	1,071	1,011
<b>Total</b>	<b>1,36,773</b>	<b>1,30,365</b>

**Notes:****1) Payments to the auditor**

	(₹ in lacs)	
	2017-18	2016-17
<b>As auditor</b>		
Audit fee	54	54
Limited review	21	21
<b>In other capacity:</b>		
Other services (including certification fees)	8	7
Reimbursement of expenses	3	2
<b>Total</b>	<b>86</b>	<b>84</b>

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

	(₹ in lacs)	
	2017-18	2016-17
<b>a) Gross amount required to be spent during the year</b>	1,071	1,007

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

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

**Note 37: Exceptional items**

	(₹ in lacs)	
	2017-18	2016-17
Voluntary Retirement Scheme (VRS)	3,396	1,333
<b>Total</b>	<b>3,396</b>	<b>1,333</b>

The Company had introduced voluntary retirement scheme (VRS) for employees across the Group. During the year, 298 employees (during FY 2016-17: 93 employees) opted for the VRS.

**Note 38: Research and development costs**

	(₹ in lacs)	
	2017-18	2016-17
Capital expenditure	3,540	7,694
Revenue expenditure	6,540	5,622
<b>Total</b>	<b>10,080</b>	<b>13,316</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## 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 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)	
	2017-18	2016-17
Profit after tax for calculation of basic and diluted EPS	23,798	36,115
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	58.83	89.28
Diluted earnings per share	58.83	89.28

## 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 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 company has estimated that the future taxable income will be sufficient to absorb MAT credit entitlement which management believes is probable, accordingly company 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 45.

#### c) Provision for decommissioning liability

The Group has recognised a provision for decommissioning obligations associated with a land taken on lease at Nasik 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, 2018 was ₹ 61 lacs (March 31, 2017: ₹ 55 lacs). The Group estimates that the costs would be realised in year 2066 at the expiration of the lease and calculates the provision using the 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 except revaluation of hedging and current investment which are shown at fair value as per quoted market price, 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 (refer note 50 and 51 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 venture 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, 2018	March 31, 2017
CEAT Specialty Tyres Limited	Trading & manufacturing of tyres, tubes and flaps	India	100.00%	100.00%
Associated Ceat Holdings Company (Pvt.) Ltd.	Investing in companies engaged in manufacturing of tyres	Sri Lanka	100.00%	100.00%
CEAT AKKHAN Limited	Trading of tyres, tubes and flaps	Bangladesh	70.00%	70.00%
Rado Tyres Limited	Manufacturing of tyres	India	58.56%	58.56%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## 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, 2018	March 31, 2017
Rado Tyres Limited	India	41.44%	41.44%
CEAT AKKHAN Limited	Bangladesh	30.00%	30.00%

### Information regarding non-controlling interest

Particulars	(₹ in lacs)	
	2017-18	2016-17
Accumulated balances of material non-controlling interest:		
Rado Tyres Limited	(337)	29
CEAT AKKHAN Limited	2,674	2,886
Total comprehensive income allocated to material non-controlling interest:		
Rado Tyres Limited	(366)	(51)
CEAT AKKHAN Limited	(109)	(141)

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, 2018

Particulars	(₹ in lacs)	
	Rado Tyres Limited	CEAT AKKHAN Limited
Revenue	31	5,917
Profit/(Loss) for the period	(870)	(363)
Other comprehensive income	(13)	-
<b>Total comprehensive income</b>	<b>(883)</b>	<b>(363)</b>
<b>Attributable to:</b>		
Equity holders of parent	(517)	(254)
Non-controlling interest	(366)	(109)

### Summarized statement of profit and loss for the year ended March 31, 2017

Particulars	(₹ in lacs)	
	Rado Tyres Limited	CEAT AKKHAN Limited
Revenue	898	5,618
Profit/(Loss) for the period	(124)	(470)
Other comprehensive income	0	-
<b>Total comprehensive income</b>	<b>(124)</b>	<b>(470)</b>
<b>Attributable to:</b>		
Equity holders of parent	(73)	(329)
Non-controlling interest	(51)	(151)

**Summarised balance sheet as at March 31, 2018**

(₹ in lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Non Current Assets	585	7,347
Current Assets	126	3,202
Non Current Liabilities	1,510	-
Current Liabilities	16	1,635
<b>Total equity</b>	<b>(815)</b>	<b>8,914</b>
<b>Attributable to:</b>		
Equity holders of parent	(478)	6,240
Non-controlling interest	(337)	2,674

**Summarised balance sheet as at March 31, 2017**

(₹ in lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Non Current Assets	613	8,101
Current Assets	160	2,670
Non Current Liabilities	524	-
Current Liabilities	180	1,150
<b>Total equity</b>	<b>69</b>	<b>9,621</b>
<b>Attributable to:</b>		
Equity holders of parent	40	6,735
Non-controlling interest	29	2,886

**Summarised cash flow information as at March 31, 2018**

(₹ in lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Operating	(1,148)	(388)
Investing	(0)	(27)
Financing	1,160	181
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>12</b>	<b>(234)</b>

**Summarised cash flow information as at March 31, 2017:**

(₹ in lacs)

Particulars	Rado Tyres Limited	CEAT AKKHAN Limited
Operating	13	187
Investing	9	(52)
Financing	(11)	(569)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>11</b>	<b>(434)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## 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.

### Summarised balance sheet as at March 31, 2018

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Net Assets	33,586	30,974
Percentage of the Group's ownership	50%	50%
<b>Group's share in Net worth</b>	<b>16,793</b>	<b>15,487</b>
Goodwill on Consolidation	2,106	2,147
Revaluation reserve	(1,924)	(901)
<b>Carrying amount of investments</b>	<b>16,975</b>	<b>16,733</b>

### Summarised statement of profit and loss for the year ended March 31, 2018

Particulars	(₹ in lacs)	
	2017-18	2016-17
Revenue	43,636	42,809
Cost of Materials Consumed	(22,139)	(17,636)
Purchases of Stock-in-trade	(647)	(2,509)
Changes in Inventories of finished goods, work-in-progress and Stock-in-trade	332	325
Employee Benefits Expense	(5,224)	(4,763)
Finance Costs	(92)	(28)
Depreciation on tangible assets	(1,284)	(1,504)
Other Expenses	(8,680)	(8,419)
<b>Profit before tax</b>	<b>5,902</b>	<b>8,275</b>
Income tax expenses	(1,243)	(2,601)
<b>Profit after tax</b>	<b>4,659</b>	<b>5,674</b>
Percentage of the Group's ownership	50%	50%
<b>Profit considered for consolidation</b>	<b>2,330</b>	<b>2,837</b>

## Note 44: Interest in Associate

During the year, the Company made investment in TYRESNMORE Online Pvt. Ltd. The group interest in TYRESNMORE Online Pvt. Ltd. is accounted for using the equity method in the consolidated financial statements. Summarized financial information of an associate for the year ended March 31, 2018 is based on its financial statements are set out below.

### Details of interest held by company

Name	Principal activities	Country of incorporation	% of equity interest	
			March 31, 2018	March 31, 2017
TYRESNMORE Online Pvt Ltd	Trading of tyres, tubes and flaps	India	*31.93%	-

\*Includes compulsory convertible preference shares (potential voting right)

**Summarized statement of profit and loss for the year ended March 31, 2018**

	(₹ in lacs)
<b>Particulars</b>	<b>2017-18</b>
Revenue	104
Profit/(Loss) for the period	(112)
Other comprehensive income	-
<b>Total comprehensive income</b>	<b>(112)</b>
Profit/(Loss) considered for consolidation	*(91)
Percentage of the Group's ownership	31.93%
<b>Profit considered for consolidation</b>	<b>(29)</b>

\*Loss of associate up to the date of acquisition of shares is not considered for consolidation.

**Summarised balance sheet as at March 31, 2018**

	(₹ in lacs)
<b>Particulars</b>	<b>As at March 31, 2018</b>
Non Current Assets	59
Current Assets	299
Non Current Liabilities	0
Current Liabilities	38
<b>Total equity</b>	<b>320</b>
Percentage of the Group's ownership	31.93%
<b>Group's share in Net worth</b>	<b>102</b>
Goodwill on Consolidation	269
<b>Carrying amount of investments</b>	<b>371</b>

**Note 45: 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)	
	2017-18	2016-17
Contribution to provident fund	1,720	1,611

**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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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, 2018	As at March 31, 2017
1.	Opening present value of Defined Benefit obligation	9,790	8,917
2.	Current Service Cost	627	533
3.	Interest Cost	671	688
4.	Benefits paid	(810)	(767)
5.	Acquisition Adjustment (Transfer Out)	-	(32)
6.	Remeasurement (Gain) / Loss in other comprehensive income		
	- Actuarial changes arising from changes in financial assumption	(520)	695
	- Experience adjustments	(401)	(244)
7.	Adjustment in the Opening Liability	50	-
8.	Closing present value of obligation	9,407	9,790

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

(₹ in lacs)

Sr. No.	Particulars	As at March 31, 2018	As at March 31, 2017
1.	Fair value of plan assets as at April 1	8,607	8,520
2.	Expected return on plan assets	586	660
3.	Contributions made	1,103	235
4.	Increase (decrease) due to effect of any business combination, divestitures, transfers	-	32
5.	Benefits paid	(624)	(767)
6.	Acquisition Adjustment (Transfer Out)	-	(32)
7.	Return on plan assets, excluding amount recognised in net interest expense	93	(41)
8.	Fair value of plan assets as at March 31	9,765	8,607

## iii) Expenses recognised during the period

(₹ in lacs)

Particulars	2017-18	2016-17
In Income Statement	712	561
In Other Comprehensive Income	(1042)	416
<b>Total Expenses recognised during the period</b>	<b>(330)</b>	<b>977</b>

## iv) Expenses recognized in the Income Statement

(₹ in lacs)

Sr. No.	Particulars	2017-18	2016-17
1.	Current Service Cost (refer note 33)	627	533
2.	Interest Cost on benefit obligation	85	28
<b>3.</b>	<b>Net benefit expense</b>	<b>712</b>	<b>561</b>

## v) Expenses recognized in Other Comprehensive Income (OCI):

Particulars	(₹ in lacs)	
	2017-18	2016-17
Remeasurement arising from changes in financial assumptions	(563)	622
Remeasurement arising from changes in experience variance	(386)	(247)
Return on plan assets, excluding amount recognized in net interest expense	(93)	41
<b>Components of defined benefit costs recognized in other comprehensive income</b>	<b>(1,042)</b>	<b>416</b>

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

Sr. No.	Particulars	(₹ in lacs)	
		As at March 31, 2018	As at March 31, 2017
1.	Closing Present value of the defined benefit obligation	9,407	9,790
2.	Closing Fair value of plan Assets	9,765	8,607
<b>3.</b>	<b>Net Assets / (Liability) recognized in the Balance Sheet</b>	<b>358*</b>	<b>(1,183)</b>

\*Refer note 15 &amp; 22

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

Sr. No.	Particulars	(₹ in lacs)	
		2017-18	2016-17
1.	Expected return on plan assets	586	660
2.	Actuarial gain / (loss) on plan assets	93	(41)
<b>3.</b>	<b>Actual return on plan assets</b>	<b>679</b>	<b>619</b>

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

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Investment with Insurer	100%	100%

ix) The principal assumptions used in determining gratuity and leave encashment for the 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 over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

**Asset Liability Mismatching or Market Risk:** The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

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

Particulars	2017-18		2016-17	
Discount Rates (per annum)	7.50%	7.60%	6.80%	7.05%
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%	
- 31-45 years	-		2.00%	
- 46 years and above	-		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 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.

## a) CEAT Limited

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

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

Particulars	2017-18		2016-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / + 1%)	10,069	8,628	10,368	8,822
(% change compared to base due to sensitivity)	8.3%	(7.2%)	8.7%	-7.5%
Salary Growth Rate (- / + 1%)	8,620	10,064	8,818	10,357
(% change compared to base due to sensitivity)	(7.3%)	8.2%	(7.6%)	8.5%
Attrition Rate (- / + 1%)	9,267	9,319	9,618	9,484
(% change compared to base due to sensitivity)	(0.4%)	0.2%	0.8%	-0.6%
Mortality Rate (- / + 1%)	9,300	9,301	9,543	9,542
(% change compared to base due to sensitivity)	0.0%	0.0%	0.0%	0.0%

The sensitivity 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 ₹ 207 lacs.

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

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

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

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Defined Benefit Obligation (Base)	106	65

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

Particulars	(₹ in lacs)			
	2017-18		2016-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / +1%)	118	97	70.69	59.20
(% change compared to base due to sensitivity)	10.5%	(8.9%)	9.6%	(8.2%)
Salary Growth Rate (- / +1%)	97	118	59.30	70.46
(% change compared to base due to sensitivity)	(8.8%)	10.2%	(8.1%)	9.2%
Withdrawal Rate (- / +1%)	107	106	65.20	63.83
(% change compared to base due to sensitivity)	0.6%	(0.7%)	1.1%	(1.0%)

The Company's best estimate of contribution during the next year is ₹ 22 lacs.

The weighted average duration (based on discounted cash flows) of defined benefit obligation is 9 years.

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

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Within the next 12 months (next annual reporting period)	4	3
Between 2 and 5 years	58	40
Between 5 and 10 years	148	94
<b>Total expected payments</b>	<b>210</b>	<b>137</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## c) Rado Tyres Limited

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Defined Benefit Obligation (Base)	-	183

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

(₹ in lacs)

Particulars	2017-18		2016-17	
	Decrease	Increase	Decrease	Increase
Discount Rate (- / +1%)	-	-	197	170
(% change compared to base due to sensitivity)	-	-	7.9%	(7.1%)
Salary Growth Rate (- / + 1%)	-	-	171	196
(% change compared to base due to sensitivity)	-	-	(6.7%)	7.2%
Withdrawal Rate (- / + 1%)	-	-	182	183
(% change compared to base due to sensitivity)	-	-	(0.2%)	0.2%

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

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Within the next 12 months (next annual reporting period)	-	3
Between 2 and 5 years	-	63
Between 5 and 10 years	-	179
<b>Total expected payments</b>	<b>-</b>	<b>245</b>

## Note 46: 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 ₹ 144 lacs (March 31, 2017 ₹ 152 lacs) has been charged to Statement of Profit and Loss.

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

(₹ in lacs)

Particulars	As at March 31, 2018	As at March 31, 2017
Within one year	70	139
After one year but not more than five years	133	201
More than five years	-	-

**b) Contingent Liabilities**

(to the extent not provided for)

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
1. Direct and indirect taxation matters		
Income tax	4,317	4,317
Wealth tax	7	7
Excise duty / Service tax	6,633	7,879
Sales tax / VAT	5,205	7,024
Bills discounted with banks	8,052	7,295
2. Claims against the Company not acknowledged as debts*		
In respect of labour matters	750	678
Rental disputes	180	180
Customer disputes	446	446
Vendor disputes	294	294
3. Other claims*	3,204	3,207

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

**c) Commitments**

Particulars	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments)	96,328	12,862

**d) Others**

The Group has availed the Sales Tax Deferral Loan and Octroi refund from the Directorate of Industries for Nasik 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 Nasik Plant. In case of violation of terms & conditions, the Company is required to refund the entire loan/benefit along with the interest @ 22.50% on account of Sales Tax Deferral Loan and @ 15% on account of Octroi refund.

**e) 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 ₹ 27,421 lacs i.e., the amount of duty already paid on the basis of transaction value and duty payable on the basis of MRP under Section 4A, for the period from April-2011 to March-2017. The Company believes that Set of TT / TTF (Tyre and Tube / Tyre, Tube and

Flap) is not pre-packaged commodity in terms of provisions of Legal Metrology Act, 2009. The Company has a strong case on the ground that, the said issue has been clarified by the Controller of the Legal Metrology Department vide its letter dated May 1, 1991 that "Tyre with tube & flaps tied with three thin polythene strips may not be treated as a pre-packed commodity within the meaning of rule 2(l) of the Standards of Weights and Measures (Packaged Commodities), Rules, 1977". The above clarification has been re-affirmed vide letter dated November 16, 1992 by the Legal Metrology authorities.

- 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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 47: 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)
- TYRESNMORE Online Pvt Ltd. ("TNM") (Associate Company)
- RPG Enterprises Limited ("RPGE") (Directors, KMP or their relatives are interested)
- RPG Lifesciences Limited ("RPGLS") (Directors, KMP or their relatives are interested)
- Zensar Technologies Limited ("Zensar") (Directors, KMP or their relatives are interested)
- Raychem RPG (Pvt.) Limited ("Raychem") (Directors, KMP or their relatives are interested)
- KEC International Limited ("KEC") (Directors, KMP or their relatives are interested)
- Vinar Systems Pvt. Limited ("Vinar") (Directors, KMP or their relatives are interested)
- B.N. Elias & Co. LLP ("B.N. Elias") (Directors, KMP or their relatives are interested)
- Atlantus Dwellings & Infrastructure LLP ("Atlantus") (Directors, KMP or their relatives are interested)
- Chattarpati Apartments LLP ("Chattarpati") (Directors, KMP or their relatives are interested)
- Allwin Apartments LLP ("Allwin") (Directors, KMP or their relatives are interested)
- Amber Apartments LLP ("Amber") (Directors, KMP or their relatives are interested)
- Khaitan & Co. ("Khaitan") (Directors, KMP or their relatives are interested)
- Kunal Mundra, (relative of director) (up to 28th February, 2018)
- Key Management Personnel (KMP):
  - i) Mr. Harsh Vardhan Goenka, Chairman
  - ii) Mr. Anant Vardhan Goenka, Managing Director
  - iii) Mr. Arnab Banerjee, Whole-time Director
  - iv) Mr. Manoj Jaiswal, Chief Financial Officer upto January 15, 2017
  - v) Mr. Kumar Subbiah, Chief Financial Officer w.e.f. from January 16, 2017
  - vi) Mr. H. N. Singh Rajpoot, Company Secretary upto August 31, 2016
  - vii) Ms. Shruti Joshi, Company Secretary w.e.f. from September 1, 2016
  - viii) Mr. Paras K. Chowdhary, Independent Director
  - ix) Mr. Vinay Bansal, Independent Director
  - x) Mr. Hari L. Mundra, Non-Executive - Non Independent Director
  - xi) Mr. Atul Choksey, Independent Director
  - xii) Mr. Mahesh Gupta, Independent Director
  - xiii) Mr. Haigreva Khaitan, Independent Director
  - xiv) Ms. Punita Lal, Independent Director
  - xv) Mr. S. Doreswamy, Independent Director
  - xvi) Mr. Kantikumar Poddar, Independent Director up to February 9, 2017

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

(₹ in lacs)				
Transactions	Related Party	2017-18	2016-17	
Reimbursement / (recovery) of expenses (net)	ACPL	(25)	(21)	
	CKITL	(23)	(28)	
	Raychem	(8)	(18)	
	KEC	(51)	(53)	
	Amber	2	1	
	Zensar	9	(3)	
	RPGE	231	171	
	Vinar	0	-	
	RPGLS	(16)	(31)	
		<b>Total</b>	<b>119</b>	<b>18</b>
Royalty income	ACPL	110	119	
	CKITL	113	131	
	ATPL	70	65	
	CKRL	126	116	
		<b>Total</b>	<b>419</b>	<b>431</b>
Purchase of Traded goods	ACPL	3,927	2,741	
	CKITL	502	111	
	ATPL	24	-	
	CKRL	24	406	
		<b>Total</b>	<b>4,477</b>	<b>3,258</b>
Sales	CKITL	246	1,322	
	TNM	26	-	
	ACPL	131	54	
		<b>Total</b>	<b>403</b>	<b>1,376</b>
Investments (including share application money) made during the year	TNM	400	-	
Technical development fees received	ATPL	-	55	
Rent paid on residential premises / guest house	Allwin	-	15	
	KEC	9	3	
	Amber	-	15	
	Atlantus	-	18	
	Chattarpati	43	43	
	B N Elias	12	12	
	Zensar	-	9	
		<b>Total</b>	<b>64</b>	<b>115</b>
	Building maintenance recovery	Raychem	95	95
KEC		474	474	
RPGE		70	70	
RPGLS		101	101	
		<b>Total</b>	<b>740</b>	<b>740</b>
Rent recovery on residential premises	KEC	24	56	
	Raychem	12	5	
	Atlantus	18	-	
	Amber	15	-	
	RPGE	9	-	
	Allwin	15	-	
		<b>Total</b>	<b>93</b>	<b>61</b>
Purchase of capex/spares	Raychem	95	165	
	KEC	1,228	331	
	CKITL	75	-	
	Vinar	86	230	
		<b>Total</b>	<b>1,484</b>	<b>726</b>
Consultancy fees paid	Zensar	-	53	
Legal fees paid	Khaitan & Co.	28	112	
License fees paid	RPGE	630	550	
Sale of spares	CKITL	-	19	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## c) Balance outstanding at the year end

		(₹ in lacs)	
Amount due to / from related party	Related party	As at March 31, 2018	As at March 31, 2017
Advances recoverable in cash or kind	ACPL	11	23
	CKITL	45	46
	CKRL	-	3
	Raychem	-	14
	KEC	587	81
	ATPL	-	16
	RPGE	-	80
	RPGLS	-	28
	<b>Total</b>		<b>643</b>
Royalty receivable	ACPL	55	52
	CKITL	57	62
	CKRL	64	59
	ATPL	35	29
	<b>Total</b>		<b>211</b>
Trade payables	ACPL	1,662	566
	CKRL	-	37
	Raychem	9	-
	CKITL	247	34
	B N Elias	-	1
	Atlantus	-	1
	Chattarpati	-	3
	Allwin	-	1
	KEC	0	-
	Zensar	18	18
	Vinar	26	-
	RPGE	17	-
	<b>Total</b>		<b>1,979</b>
Trade receivables	CKITL	88	159
	ACPL	38	27
	TNM	18	-
	<b>Total</b>		<b>144</b>
Payable against purchase of capital asset	KEC	105	-
	Raychem	0	0
	<b>Total</b>		<b>105</b>

## d) Transactions with key management personnel and their relatives

		(₹ in lacs)	
Sr. No.	Related party	2017-18	2016-17
1)	Mr. Harsh Vardhan Goenka		
	Commission	373	432
	Director sitting fees	5	6
	Dividend	15	-
	<b>Total</b>		<b>393</b>
2)	Mr. Anant Vardhan Goenka		
	Salaries	286	259
	Allowances and perquisites	9	10
	Performance bonus*	77	74
	Contribution to provident & superannuation fund	26	23
	Dividend	2	-

		(₹ in lacs)	
Sr. No.	Related party	2017-18	2016-17
	Leave encashment	0	1
	<b>Total</b>	<b>400</b>	<b>367</b>
3)	Mr. Arnab Banerjee		
	Salaries	192	178
	Allowances and perquisites	2	2
	Performance bonus*	51	56
	Contribution to provident & superannuation fund	11	10
	Leave encashment	0	1
	<b>Total</b>	<b>256</b>	<b>247</b>
4)	Mr. Manoj Jaiswal		
	Salaries	-	100
	Allowances and perquisites	-	0
	Performance bonus*	-	50
	Contribution to provident & superannuation fund	-	5
	Leave encashment	-	2
	<b>Total</b>	<b>-</b>	<b>157</b>
5)	Mr. Kumar Subbiah		
	Salaries	138	28
	Allowances and perquisites	3	-
	Performance bonus*	35	-
	Contribution to provident & superannuation fund	5	1
	Leave encashment	0	1
	<b>Total</b>	<b>181</b>	<b>30</b>
6)	Mr. H. N. Singh Rajpoot		
	Salaries	-	23
	Performance bonus*	-	18
	Contribution to provident & superannuation fund	-	3
	Leave Encashment	-	1
	<b>Total</b>	<b>-</b>	<b>45</b>
7)	Ms Shruti Joshi		
	Salaries	35	19
	Allowances and perquisites	-	0
	Performance bonus*	7	-
	Contribution to provident & superannuation fund	2	1
	Leave Encashment	0	0
	<b>Total</b>	<b>44</b>	<b>20</b>
8)	Mr. Paras K. Chowdhary		
	Commission	6	6
	Director sitting fees	6	7
	<b>Total</b>	<b>12</b>	<b>13</b>
9)	Mr. Hari L. Mundra		
	Commission	6	6
	Director sitting fees	6	8
	<b>Total</b>	<b>12</b>	<b>14</b>
10)	Mr. Vinay Bansal		
	Commission	6	6
	Director sitting fees	6	9
	<b>Total</b>	<b>12</b>	<b>15</b>
11)	Mr. Atul C. Choksey		
	Commission	6	6
	Director sitting fees	4	6
	<b>Total</b>	<b>10</b>	<b>12</b>
12)	Mr. Mahesh S. Gupta		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

		(₹ in lacs)	
Sr. No.	Related party	2017-18	2016-17
	Commission	6	6
	Director sitting fees	8	10
	<b>Total</b>	<b>14</b>	<b>16</b>
13)	Mr. Haigreve Khaitan		
	Commission	6	5
	Director sitting fees	3	5
	<b>Total</b>	<b>9</b>	<b>10</b>
14)	Ms. Punita Lal		
	Commission	6	5
	Director sitting fees	3	6
	<b>Total</b>	<b>9</b>	<b>11</b>
15)	Mr. S. Doreswamy		
	Commission	6	5
	Director sitting fees	8	9
	<b>Total</b>	<b>14</b>	<b>14</b>
16)	Mr. Kantikumar Poddar		
	Commission	-	4
	<b>Total</b>	<b>-</b>	<b>4</b>
17)	Mr. Kunal Mundra**		
	Salaries	91	72
	Allowances and perquisites	0	48
	Leave encashment	1	
	Performance bonus	31	
	Contribution to provident & superannuation fund	4	4
	<b>Total</b>	<b>127</b>	<b>125</b>
	<b>Grand Total</b>	<b>1,493</b>	<b>1,413</b>

\*Represents amount paid during the year.

\*\* Salary received from the company's Subsidiary CEAT Specialty Tyres Limited in the capacity of Managing Director.

## e) Balance outstanding at the year end for KMP

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

### Terms and conditions of transactions with related parties

The sales, purchases and other transactions with 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

- 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:

Related Party	(₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
KEC	2,326	0
Raychem	0	-
Vinar	-	67

#### Note 48: Segment information

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

#### Information about products:

Particulars	2017-18			2016-17		
	Automotive Tyres	Tubes and others	Total	Automotive Tyres	Tubes and others	Total
	Revenue from sale of products	5,61,085	71,999	6,33,084	5,64,722	74,991

#### Information about geographical areas:

Particulars	2017-18			2016-17		
	In India	Outside India	Total	In India	Outside India	Total
	Revenue from sale of products	5,49,899	83,185	6,33,084	5,59,709	80,004
Non-current assets	3,27,332	7,306	3,34,638	2,96,588	10,909	3,07,497

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

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

#### Note 49: 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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

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

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

(Amounts in Lacs)

Derivative	Currency	As at March 31, 2018		As at March 31, 2017		Purpose
		FC	₹	FC	₹	
Forward Contract to sell foreign Currency	USD	61	4,049	79	5,110	Hedge of Foreign Currency sales
	EUR	9	711	-	-	
	USD	141	9,195	148	9,566	Hedge of Foreign Currency High probable sales
Forward Contract to buy foreign Currency	USD	88	5,748	83	5,365	Hedge of foreign currency purchase
	EURO	0	15	-	-	
	USD	190	12,336	56	3,615	Hedge of Foreign Currency
	EURO	-	-	20	1,355	Buyer's Credit
	USD	600	39,695	228	14,798	Hedge of Foreign Currency Firm
	EURO	437	35,114	-	-	Commitment – Pos
	JPY	4,365	2,670	-	-	
Cross Currency Interest Rate Swap	USD	-	-	61	3,934	Hedge of FCNR Loan
	EURO	342	22,292	363	23,556	Hedge of Foreign Currency Buyer's Credit
Range forward contract to buy foreign currency	USD	28	2,249	33	2,290	
	USD	6	374	6	373	Hedge of Foreign Currency Buyer's Credit

(Amounts in Lacs)

Unhedged foreign currency Exposure*	Currency	2017-18	2016-17
Short Term borrowing#	USD	30	20
Trade Payables	USD	21	20
	EURO	5	14
	JPY	165	764
	GBP	1	0
	AED	0	-
	CHF	0	0
Trade Receivables	USD	43	21
	EURO	4	8
Advances Recoverable in cash or kind	CNY	0	-
	USD	4	-

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

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

The cash flow hedges as at March 31, 2018 were assessed to be highly effective and a net unrealised gain of ₹ 646 lacs, with a deferred tax liability of ₹ 380 lacs relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges as at March 31, 2017 were assessed to be highly effective and an unrealised gain of ₹ 377 lacs with a deferred tax liability of ₹ 131 lacs was included in OCI.

**Note 50: Fair values**

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

	(₹ in lacs)			
	As at March 31, 2018		As at March 31, 2017	
	Carrying values	Fair values	Carrying values	Fair values
<b>Financial assets</b>				
<b>At amortised cost</b>				
Loans (Non-current)	314	314	8	8
Other financial assets (Non-current)	202	202	578	578
<b>At fair value through profit and loss</b>				
Current investment	4,006	4,006	6,427	6,427
<b>Total</b>	<b>4,522</b>	<b>4,522</b>	<b>7,013</b>	<b>7,013</b>
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings				
(Non-current)	45,116	44,180	85,243	84,091
Other financial liabilities				
(Non-current)	146	68	146	61
<b>At fair value through other comprehensive income</b>				
Other financial liabilities				
(Non-current)	177	177	1,520	1,520
Other financial liabilities				
(Current)	23	23	211	211
<b>Total</b>	<b>45,462</b>	<b>44,448</b>	<b>87,121</b>	<b>85,895</b>

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

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The foreign exchange forward contracts used for hedging the recognized import trade payables / export trade receivables have been valued based on the closing spot. 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.
- The fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

## Note 51: Fair value hierarchy

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

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

(₹ in lacs)

	Total	Fair Value measurement using		
		Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)*
<b>Financial assets</b>				
<b>At amortised cost</b>				
Loans (Non-current)	314	-	314	-
Other financial assets (Non-current)	202	-	202	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
- Investment in quoted mutual fund	4,006	4,006	-	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings (Non-current)	44,180	19,956	22,398	1,826
Other financial liabilities (Non-current)	68	-	-	68
<b>At fair value through other comprehensive income</b>				
Other financial liabilities (Non-current)				
Other financial liabilities (Current)	177	-	177	-
- Derivative financial instrument	23	-	23	-

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

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

(₹ in lacs)

	Total	Fair Value measurement using		
		Quoted prices in Active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)*
<b>Financial assets</b>				
<b>At amortised cost</b>				
Loans (Non-current)	8	-	8	-
Other financial assets (Non-current)	578	-	578	-
<b>At fair value through profit and loss</b>				
Investment (Current)				
- Investment in quoted mutual fund	6,427	6,427	-	-
<b>Financial liabilities</b>				
<b>At amortized cost</b>				
Borrowings (Non-current)	84,092	19,950	62,262	1,880
Other financial liabilities (Non-current)	61	-	-	61
<b>At fair value through other comprehensive income</b>				
Other financial liabilities (Non-current)				
Other financial liabilities (Current)	1,520	-	1,520	-
- Derivative financial instrument	211	-	211	-

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

## Note 52: 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, 2018 and March 31, 2017.

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, 2018.

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, 2018 and March 31, 2017 including the effect of hedge accounting
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at March 31, 2018 for the effects of the assumed changes of the underlying risk

### 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, 2018 after taking into account the effect of interest rate swaps, approximately 34% of the Company's long term borrowings are at a fixed rate of interest (March 31, 2017: 49%).

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

Particulars	₹ in lacs)	
	As at March 31, 2018	As at March 31, 2017
Fixed rate borrowings	29,768	45,340
Floating rate borrowings	57,399	47,060
<b>Total borrowings</b>	<b>87,167</b>	<b>92,400</b>

### 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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

Particulars	(₹ in lacs)	
	Increase/decrease in basis points	Effect on profit before tax
<b>March 31 2018</b>		
₹ 57,399 lacs	+/- 100 bps	-573.99 / +573.99
<b>March 31, 2017</b>		
₹ 47,060 lacs	+/- 100 bps	-470.60 / +470.60

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, 2018, the Group hedged 94% (March 31, 2017: 95%), of its foreign currency loans. This foreign currency risk is hedged by using foreign currency forward contracts. At March 31, 2018, the Group hedged 93% (March 31, 2017: 98%) of its foreign currency receivables/payables.

### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO rates, with all other variables held constant. The impact on the 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.

Particulars	(₹ in lacs)	
	Change in Currency	Effect on profit before tax
<b>March 31, 2018</b>		
Recognized net payable – USD 0.39 Mio	₹ +1/- 1	- 3.92 / + 3.92
Recognized net receivable – EUR 0.19 Mio	₹ +1/- 1	+ 1.90 / - 1.90
<b>March 31, 2017</b>		
Recognized net receivable – USD 1.90 Mio	₹ +1/- 1	+ 19.00 / - 19.00
Recognized net payables – EUR 0.56 Mio	₹ +1/- 1	- 5.60 / + 5.60

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.

#### 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	As at	As at	As at
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Natural rubber	5,400	5,200	(5,400)	(5,200)
Synthetic rubber	4,000	3,600	(4,000)	(3,600)
Carbon black	2,500	2,000	(2,500)	(2,000)

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

(₹ in lacs)

Particulars	As at March 31, 2018			As at March 31, 2017		
	Less than 180 days	More than 180 but less than 360 days	More than 360 days	Less than 180 days	More than 180 but less than 360 days	More than 360 days
Expected loss rate	0.00%	50.51%	100%	0.08%	49.48%	99.99%
Gross carrying amount	74,483	485	1,901	61,247	359	3,100
Loss allowance provision	-	245	1,901	49	178	3,099

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 ₹ 31,512 lacs (March 31, 2017: ₹ 31,952 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.

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

## 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, 2018

Particulars				(₹ in lacs)
	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	17,346	17,346
Current investments	4,006	-	-	4,006
Loans	36	314	-	350
Trade receivables	74,723	-	-	74,723
Cash and cash equivalents	8,218	-	-	8,218
Bank balances other than cash and cash equivalents	407	-	-	407
Other financial assets	956	202	-	1,158
<b>Total financial assets</b>	<b>88,346</b>	<b>516</b>	<b>17,346</b>	<b>1,06,208</b>
Long term borrowings	-	23,286	22,006	45,292
Short term borrowings	19,557	-	-	19,557
Other Financial Liabilities	59,428	177	146	59,751
Trade and Other payables	87,051	-	-	87,051
<b>Total financial liabilities</b>	<b>1,66,036</b>	<b>23,463</b>	<b>22,152</b>	<b>2,11,651</b>

**Liquidity exposure as at March 31, 2017**

Particulars				(₹ in lacs)
	< 1 year	1-5 years	>5 years	Total
<b>Financial assets</b>				
Non-current investments	-	-	16,733	16,733
Current investments	6,427	-	-	6,427
Loans	129	6	-	135
Trade receivables	61,380	-	-	61,380
Cash and cash equivalents	2,401	-	-	2,401
Bank balances other than cash and cash equivalents	1,191	-	-	1,191
Other financial assets	1,416	507	26	1,949
<b>Total financial assets</b>	<b>72,944</b>	<b>513</b>	<b>16,759</b>	<b>90,216</b>
Long term borrowings	-	50,040	35,496	85,536
Short term borrowings	5,799	-	-	5,799
Other Financial Liabilities	40,747	1,520	146	42,413
Trade and Other payables	75,821	-	-	75,821
<b>Total financial liabilities</b>	<b>1,22,367</b>	<b>51,560</b>	<b>35,642</b>	<b>2,09,569</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 movable, immovable properties and entire current assets to its consortium of bankers as detailed in note 20 and 25. The term lenders also have a second charge on the varied current assets..

**Note 53: Capital management**

For the purpose of the Group capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the 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.

	(₹ in lacs)	
	March 31, 2018	March 31, 2017
Borrowings *(Note 20 & 25 & 27)	87,167	92,400
Trade payables (Note 26)	87,051	75,821
Less: cash and cash equivalents (Note 12)	(8,218)	(2,401)
<b>Net debt</b>	<b>1,66,000</b>	<b>1,65,820</b>
Equity attributable to equity holders of parent (refer note 17 and 18)	2,60,609	2,41,495
<b>Capital and net debt</b>	<b>4,26,609</b>	<b>4,07,316</b>
Gearing ratio	<b>39%</b>	<b>41%</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2018

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, 2018 and March 31, 2017.

## Note 54: Events after the reporting period

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

## Note 55: Standards issued but not yet effective Ind AS 115- Revenue from Contracts with Customers

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

retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

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

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

**Note 56: Information required for consolidated financial statement pursuant to Schedule III of the Companies Act, 2013**

Name of Entity	Relationship	FY 2017-18				FY 2016-17							
		Net Assets i.e. Total Assets minus Total Liabilities		Share in Profit or Loss		Net Assets i.e. Total Assets minus Total Liabilities		Share in Profit or Loss					
		As % of consolidated net assets	₹ in lacs	As % of consolidated Profit or Loss (Before OCI)	₹ in lacs	As % of consolidated net assets	₹ in lacs	As % of consolidated Profit or Loss (Before OCI)	₹ in lacs				
CEAT Limited	Parent	84%	2,18,127	111%	25,959	113%	26,947	82%	2,00,878	90%	32,586	89%	32,024
Rado Tyres Limited	Indian Subsidiary	0%	958	(2%)	(510)	(2%)	(517)	0%	350	(0%)	(73)	(0%)	(73)
CEAT Specialty Tyres Limited	Indian Subsidiary	7%	17,982	(16%)	(3,785)	(18%)	(4,254)	6%	14,644	(3%)	(1,000)	(2%)	(555)
CEAT AKKHAN Limited	Foreign Subsidiary	2%	6,150	(1%)	(211)	(1%)	(211)	3%	6,932	(1%)	(334)	(1%)	(398)
Associated CEAT Holdings Pvt Limited (ACHL)	Foreign Subsidiary	0%	46	0%	44	0%	44	1%	1,958	6%	2,099	6%	2,099
CEAT Kalani Holding Pvt Limited (As per Equity Method)	Joint Venture	6%	16,975	10%	2,330	10%	2,352	7%	16,733	8%	2,837	8%	2,907
Tyresmore Online Private Limited	Associate	0%	371	(0%)	(29)	(0%)	(29)	-	-	-	-	-	-
Minority Interest in all subsidiaries													
Rado Tyres Limited	Indian Subsidiary	(0%)	(337)	(2%)	(360)	(2%)	(366)	0%	29	(0%)	(51)	(0%)	(51)
CEAT AKKHAN Limited	Foreign Subsidiary	1%	2,674	(0%)	(109)	(0%)	(109)	1%	2,886	(0%)	(141)	(0%)	(141)
<b>Total</b>		<b>100%</b>	<b>2,62,946</b>	<b>100%</b>	<b>23,329</b>	<b>100%</b>	<b>23,857</b>	<b>100%</b>	<b>2,44,410</b>	<b>100%</b>	<b>35,923</b>	<b>100%</b>	<b>35,812</b>

As per our report of even date

**For S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.:324982E/E3000003

For and on behalf of Board of Directors of CEAT Limited

**Kumar Subbiah**  
Chief Financial Officer**H.V. Goenka**  
Chairman**Anant Goenka**  
Managing Director**per Vinayak Pujare**

Partner

Membership Number: 101143

Place: Mumbai

Date: April 30, 2018

**Shruti Joshi**  
Company Secretary**Mahesh Gupta**  
Chairman - Audit Committee

Place: Mumbai

Date: April 30, 2018





# 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.com

## 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 Fifty-Ninth Annual General Meeting of the members of CEAT Limited held on Friday, July 20, 2018 at 3.30 p.m. at The Auditorium, Textile Committee, next to Trade Plaza (TATA Press), P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai 400 025

Note: Please refer to the instructions printed under the Notes of the Notice of the Fifty-Ninth Annual General Meeting. The voting period starts at 9.00 a.m. on Tuesday, July 17, 2018 and will end at 5.00 p.m. on Thursday, July 19, 2018. The voting module shall be disabled by CDSL for voting thereafter.



# 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.com

## 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

Name of the Member(s):	
Registered Address:	
Email Id:	
Registered Folio No./ DP ID/Client ID	

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: .....

as my/ our proxy to attend and vote (on a poll) for me/ us and on my/ our behalf at the 59th Annual General Meeting of the Company to be held on Friday, July 20, 2018 at 3.30 p.m. at The Auditorium, Textile Committee, next to Trade Plaza (TATA Press), P. Balu Road, Prabhadevi Chowk, 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, 2018, 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, 2018, together with the Report of the Auditors thereon.
2. Declaration of dividend on Equity Shares for the financial year ended March 31, 2018.
3. Re-appointment of Mr. Hari L. Mundra (DIN: 00287029) as a Director of the Company.
4. Ratification of appointment of Messrs S R B C & CO LLP, Statutory Auditors of the Company
5. Authority for appointment of Branch Auditors.
6. Appointment of Mr. Pierre E. Cohade (DIN: 00468035), as Director of the Company.
7. Ratification of remuneration payable to Messrs D. C. Dave & Co., Cost Auditors of the Company.
8. Re-appointment of Mr. Arnab Banerjee (DIN: 06559516) as Whole-time Director designated as the Executive Director-Operations of the Company for a further period of 5 (five) years.
9. 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).
10. Approval for payment of remuneration/commission to Non-Executive Directors, not exceeding 3 (Three) percent of the net profits calculated pursuant to Section 198 of the Act

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018  
 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.



