

Notice

NOTICE is hereby given that the Sixth Annual General Meeting of the Company will be held at Registered Office of the Company at RPG House, 463, Dr. Annie Besant Road, Worli, Mumbai 400 030 on Wednesday, July 18, 2018 at 02.00 PM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements (including the Consolidated Financial Statement) 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.
2. To consider and if thought fit, to pass with or without modification, the following resolution as **Ordinary** Resolution:

RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, the appointment of M/s. S R B C & Co. LLP, Chartered Accountants (Firm Registration No. 324982E), as Statutory Auditors of the Company, made pursuant to the resolution of the Members passed at the Third Annual General Meeting, to hold office from the conclusion of the Third Annual General Meeting until the conclusion of the Eighth Annual General Meeting, be and is hereby ratify at the Sixth Annual General Meeting on such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors.

3. To appoint a Director in place of Mr. Tom Thomas (DIN: 00624432), who retires by rotation and, being eligible, has offered himself for re-appointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification, the following resolution as **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 161 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification or re-enactment thereof) (hereinafter referred

to as the Act), Mr. Vijaysinh Shrimantrao Gambhire, (DIN: 08077671) who was appointed as an Additional Director of the Company with effect from March 01, 2018, be and is hereby appointed as an Director of the Company.

RESOLVED FURTHER THAT Mr. Vijaysinh Shrimantrao Gambhire, when appointed as Director on account of regularization under Sec 161 of the Companies Act, 2013, such appointment of Mr. Vijaysinh Shrimantrao Gambhire, shall not be deemed to constitute a break in his appointment as Managing Director and upon re-election shall continue to hold office of Managing Director hitherto. ”

NOTES:

1. The Statement setting out material facts pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to the Special Business at the meeting, is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
3. **THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
4. A person can act as proxy on behalf of the members not exceeding 50 (fifty) and holding not more than 10 percent of the total share capital carrying voting rights. In case, a proxy is appointed by a member holding more than 10 percent of the total share capital carrying voting rights, such proxy shall not act as proxy for any other person or member.
5. Proxy in prescribed Form No. MGT-11 is enclosed herewith. Proxy shall not have a right to speak at the meeting and shall not be entitled to vote except on a poll.
6. Corporate members intending to send their authorised representative to attend the meeting are requested to send certified true copy of the Board resolution to the Company authorising their representative to attend and vote on their behalf at the meeting.
7. None of the Directors seeking appointment/re-appointment is related to any member of the Board of Directors or to any Key Managerial Personnel.

8. Pursuant the provisions of Section 152 of the Companies Act, 2013 and rules thereunder and Articles of Association of the Company, Mr. Tom K Thomas retires by rotation and being eligible offers himself for re-appointment.

Mr. Tom K. Thomas, B.Sc, B.Tech., serves as an Executive Director of Technology & Projects of CEAT Limited. Mr. Thomas served as Chief of Manufacturing & Technical at Ceat Ltd. Mr. Thomas has 3 years of experience in J.K. Industries Ltd. as Vice President-Tech. & Radial Plant. Mr. Thomas served as a Vice President of Technical operations & Manufacturing for Ceat Ltd. He serves as a Director of Rado Tyres Limited. He holds a Bachelor of Rubber Technology and Engineering From University of Cochin.

Presently he is on the Board of the following companies as follows:

Directorship-
Rado Tyres Ltd.
CEAT Specialty Tyres Ltd.

9. 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 the 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.

Under the Authority of the Board
of Directors



Vijaysinh Shrimantrao Gambhire
Managing Director
DIN: 08077671

Place: Mumbai
Date: April 30, 2018

CEAT Specialty Tyres Limited
CIN: U25199MH2012PLC236623

Registered office:
RPG House, 463, Dr. Annie Besant Road, Worli,
Mumbai 400 030

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. 4

Mr. Vijaysinh Shrimantrao Gambhire was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on March 01, 2018 and Managing Director of the Company in the General Meeting held on March 01, 2018. In terms of Section 161(1) of the Companies Act, 2013, Mr. Vijaysinh Shrimantrao Gambhire holds office upto the date of this Annual General Meeting but is eligible for the appointment as a Director. The Company has received a Notice from him in writing along with requisite deposit under Section 160 of the Act, proposing his candidature for the office of Director.

Mr. Vijaysinh Shrimantrao Gambhire is a B.E (Electronics and Telecommunications) from Government Engineering College- Aurangabad and Doctorate in Management from Indian Institute of Management-Calcutta and carrying a total of 24 year of experience out of which more than Seven years of experience is in the tyre industry.

The Board of Directors recommends the resolution at Item No. 4 of the accompanying Notice as an Ordinary Resolution, for appointment of Mr. Vijaysinh Shrimantrao Gambhire as a Director of the Company.

None of the Directors or Key Managerial Personnel of the Company, as their respective relatives except Mr. Vijaysinh Shrimantrao Gambhire himself, is concerned with or interested in the aforesaid resolution.

Under the Authority of the Board of Directors



Vijaysinh Shrimantrao Gambhire

Managing Director

DIN: 08077671

Place: Mumbai

Date: April 30, 2018

CEAT Specialty Tyres Limited

CIN: U25199MH2012PLC236623

Registered Office:

RPG House, 463, Dr. Annie Besant Road, Worli,
Mumbai 400030

To,

The Members of CEAT Specialty Tyres Limited

Your Directors have pleasure in presenting their Sixth Annual Report on the business and operations of the Company and audited accounts for the Financial Year ended March 31, 2018.

Financial Highlights

(Amount in Rs.)

| | For the year ended 31st March 2018 | For the year ended 31st March 2017 |
|------------------------|------------------------------------|------------------------------------|
| Turnover | 266,65,76,273 | 223,86,05,096 |
| Profit before Taxation | (37,37,72,795) | (10,03,21,732) |
| Provision for: | | |
| – Deferred Tax | - | - |
| Net Profit /(Loss) | (37,37,72,795) | (10,11,53,972) |

Dividend

The Board of Directors do not recommend any dividend during the year.

Transfer to Reserves

The Board of the company has decided not to transfer any amount to its reserves during the year under review.

Material Changes and Commitments, If any Affecting the Financial Position of the Company

The Board of Directors informed that the company has incorporated two companies outside India- one in USA naming CEAT Specialty Tires Inc. and other one in Netherlands naming CEAT Specialty Tyres B.V.

Industry Scenario

Specialty Business consists of Off the Road (OTR) and Radial Farm Tyres. OTR tyres are used in construction, ports and mines. OTR Products includes Earth Movers, Industrial Equipment, Compactors, Graders, Forklift, etc. Radial Farm Tyres are used in the farm sector and include Tractor tyres both front and rear, Flotation vehicles, Harvesters, etc.

On the export front the current market size for Specialty Tyres in North America is USD 3.00-3.50 Bn while that in Europe is USD 5.00-5.50 Bn. The Specialty Tyres business in North America and Europe (major export markets for Indian players) is expected to increase by ~250-300 TPD while substitution towards value players would contribute an opportunity for value players in the in the next 5 years.



Future Outlook

CSTL had set up of plant for Radial Tyres for farm market in phase I of around 40 TPD started commencement of Phase II of around 90 TPD having a cost estimated at around INR 507 Crores

Share Capital

The paid up equity capital of the Company as on 31st March, 2017 was Rs. 11,05,00,000/-. During the year under review, the Company had, issued and allotted 70,00,000 shares on Right basis to it's the members. Presently, the share capital of the Company is Rs. 18,05,00,000/-.

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-A".

Directors & Remuneration

In accordance with the Companies Act, 2013 and Articles of Association, Kottukappallil Thomas Tom retires by rotation and being eligible offers himself for re-appointment.

Meetings of the Board

The Board met 6 times during the period from 01.04.2017 till 31.03.2018 on 27.04.2017, 03.08.2017, 14.11.2017, 21.12.2017, 01.02.2018, 01.03.2018. The attendance record of the directors is as under-

| Name of the Director | No of Meetings attended | % Attendance |
|------------------------------------|-------------------------|--------------|
| Ms. Shruti Joshi | 6 | 100% |
| Mr. Kishore Chandrakant Shetty | 6 | 100% |
| Mr. Kunal Mundra | 5 | 100% |
| Mr. Tom Thomas | 6 | 100% |
| Mr. Arnab Banerjee | 6 | 100% |
| Mr. Anant Goenka | 6 | 100% |
| Mr. Paras Kumar Chaudhary | 6 | 100% |
| Mr. Vijaysinh Shrimantrao Gambhire | 1 | 100% |

Board Committees

The Company has formed mandatory Board Committees viz. Audit Committee and Nomination and Remuneration Committee and non-mandatory Committees viz. Financial and Banking Committee. Detailed composition along with the number of meetings held during the FY 2017-2018 are being mentioned herein below-

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| Name of Committee Meeting | Number of Meetings Held | Name of Members |
|---------------------------------------|-------------------------|-----------------------|
| Audit Committee | 4 | Mr. Paras K Chaudhary |
| | | Ms. Shruti Joshi |
| | | Mr. Kishor Shete |
| | | |
| Nomination and Remuneration Committee | 5 | Ms. Shruti Joshi |
| | | Mr. Paras K Chowdhary |
| | | Mr. Kishor Shete |
| | | |
| Finance and Banking Committee | 3 | Mr. Kunal Mundra |
| | | Ms. Shruti Joshi |
| | | Mr. Arnab Banerjee |
| | | Mr. Sandeep Sarkhot |

Auditors & Auditors Report

The Company had, at its AGM held on July 09, 2015 appointed Messer's S R B C & CO LLP as the Statutory Auditors for a period of 5 (five) consecutive years from the conclusion of the third AGM to the conclusion of the Eighth AGM subject to ratification of their appointment every year. They have confirmed that their said appointment, if ratified at the ensuing AGM, will be in compliance with Sections 139 and 141 of the Companies Act, 2013. The Board considered the letter received from M/s. S R B C & Co. LLP, (Firm Registration No. 324982E) confirming their eligibility for ratification of appointment as the Company's Statutory Auditor and recommend ratification of appoint M/s S R B C & Co. LLP as the Statutory Auditors of the Company.

The Auditors' Report on the financial statements for the financial year ended March 31, 2018 does not contain any qualification, reservation or adverse remark.

Internal Auditors

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

Secretarial Audit

The Board has appointed Messer's Parikh Parekh & Associates as Secretarial Auditors for the period of 1 (one) year up to March 31, 2018 under Section 204 of the Companies Act, 2013 and they have completed the secretarial audit which is annexed as "Annexure-c".

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Corporate Social Responsibility (CSR)

In accordance with Section 135 and Schedule VII of the Companies Act, 2013 ('the Act'), CSR is not applicable to the Company.

Vigil Mechanism/ Whistle Blower Policy

Pursuant to Section 177 of the Companies Act, 2013, the Board has adopted vigil mechanism in the form of Whistle Blower Policy, to deal with instances of fraud or mismanagement, if any.

Subsidiary, Joint Venture and Associate Companies

As on March 31, 2018, the company has incorporated two companies outside India- one in USA naming CEAT Specialty Tires Inc. and other one in Netherlands naming CEAT Specialty Tyres B.V.

Public Deposits

The Company has not accepted any deposits from the public and as such, no amount on account of principal or interest on deposits from public was outstanding as at March 31, 2018.

Particulars of Loans, Guarantees and Investments

During the period under review, the Company has not given loans, guarantees and investments under the provisions of section 186 of the Companies Act, 2013.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

- a) Conservation of energy: Nil
- b) Technology absorption: Nil
- c) Foreign exchange earnings and Outgo:
 - Earnings – INR 41,06,29,795.08
 - Outgo – INR 67,68,46,435.36

Particulars of Contracts or Arrangements with Related Parties

There were no materially significant transactions with the related parties during the financial year which were in conflict with the interests of the Company. Disclosure of transactions with related parties as required under the Accounting Standard (AS-18) has been made in the notes forming part of the financial statements.

Particulars of contracts or arrangements with related parties referred to in section 188(1) of the Companies Act, 2013, in the prescribe Form AOC-2, is appended as "Annexure-B" which forms part of this Report.



Internal Financial Controls

The Company has in place adequate internal financial controls commensurate to the size of business.

Secretarial Standards

The company has complied with the secretarial standards applicable on it for the F.Y 17-18.

Significant and material orders passed by regulators or courts or tribunals impacting going concern status and company's operations in future

During the year under review there has been no such significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

Company has filed a Writ Petition in the Bombay High Court against making MIDC & Others as Respondents.

Risk Management

The Board has put in place suitable risk measures to mitigate risks affecting the existence of the Company

Declaration given by independent directors under section 149(6)

During the year under review, the Company was required to appoint Independent Directors under Section 149(4) and Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Particulars of Employees

None of the employee has received remuneration exceeding the limit as stated in rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Particulars of remuneration paid to Mr. Kunal Mundra (from 1st April, 2017 to 28th February, 2018) and Mr. Vijaysinh Gambhire (from 1st March, 2018 to 31st March, 2018), Managing Director of the Company is detailed in "Annexure-A" which forms part of this Report.



Key Managerial Personnel

During the year under review, Mr. Kunal Mundra resigned from his post as Managing Director of the Company. Mr. Kunal Mundra served as Managing Director in F.Y 17-18 from 1st April, 2017 to 28th February, 2018.

Mr. Vijaysinh Gambhire was appointed as the Managing Director with effect from 1st March, 2018.

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.

Disclosure under Sexual Harrasment 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, 2 (two) Internal Complaints Committees (ICC) have been set up to redress complaints.

No Complaints have been received by the committee for the F.Y 17-18.

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 statement that:

- i. the applicable Accounting Standards have been followed in the preparation of the annual accounts alongwith 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 operating effectively.



Acknowledgements

An acknowledgement to all with whose help, cooperation and hard work the Company is able to achieve the results.

For and on behalf of the Board of Directors


Vijaysinh Gambhire
Managing Director

Place: Mumbai
Date: April 30, 2018




Arnab Banerjee
Director

Annexure A

Form No. 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 | U25199MH2012PLC236623 |
| ii. | Registration Date | 09/10/2012 |
| iii. | Name of the Company | CEAT SPECIALTY TYRES Limited |
| iv. | Category/Sub-Category of the Company | Unlisted Public Limited Company |
| v. | Address of the Registered office and contact details | RPG House, 463, Dr. Annie Besant Road, Worli, Mumbai – 400030 |
| vi. | Whether listed company | No |
| vii. | Name, Address and Contact details of Registrar and Transfer Agent, if any | NA |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :

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

| Sr. No. | Name and Description of main products/ services | NIC Code of the Product/ service | % to total turnover of the company |
|---------|---|----------------------------------|------------------------------------|
| 1 | Trading/ sale of Motor Vehicle Parts | 453 | 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. | CEAT Limited | L25100MH1958PLC011041 | Holding | 100% | 2 (46) |
| 2. | CEAT Specialty Tires Inc. | 82-0896871 | Subsidiary | 100% | 2 (87) |

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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 | | | | No. of Shares held at the end of the year | | | | % Change during The year |
|-------------------------------|---|-------------|-------------|-------------------|---|-------------|-------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| 1. Promoter | | | | | | | | | |
| 1) Indian | | | | | | | | | |
| a) Individual/HUF | | 60 | 60 | 0.00 | | 60 | 60 | 0.00 | - |
| b) Central Govt | | 0 | 0 | 0 | | 0 | 0 | 0 | |
| c) State Govt(s) | | | | | | | | | |
| d) Bodies Corp | | 1,10,49,940 | 1,10,49,940 | 100 | | 1,80,49,940 | 1,80,49,940 | 100 | 63 |
| e) Banks / FI | | | | | | | | | |
| f) Any Other | | | | | | | | | |
| Sub-total(A)(1):- | | | | | | | | | |
| 2) Foreign | | | | | | | | | |
| g) NRIs-Individuals | | | | | | | | | |
| h) Other-Individuals | | | | | | | | | |
| i) Bodies Corp. | | | | | | | | | |
| j) Banks / FI | | | | | | | | | |
| k) Any Other.... | | | | | | | | | |
| Sub-total(A)(2):- | | | | | | | | | |
| 2. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | | | | | | | | | |
| b) Banks / FI | | | | | | | | | |
| c) Central Govt | | | | | | | | | |
| d) State Govt(s) | | | | | | | | | |
| e) Venture Capital Funds | | | | | | | | | |
| f) Insurance Companies | | | | | | | | | |
| g) FIIs | | | | | | | | | |
| h) Foreign | | | | | | | | | |

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| | | | | | | | | | |
|--|--|----------|----------|-----|--|----------|----------|-----|--|
| Venture Capital Funds | | | | | | | | | |
| i) Others (specify) | | | | | | | | | |
| Sub-total(B)(1) | | | | | | | | | |
| 2. Non Institutions | | | | | | | | | |
| a) Bodies Corp. (i) Indian (ii) Overseas | | | | | | | | | |
| b) Individuals (i) Individual shareholders holding nominal share capital upto Rs. 1 lakh (ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | | | | | | | | | |
| c) Others (Specify) | | | | | | | | | |
| Sub-total(B)(2) | | | | | | | | | |
| Total Public Shareholding (B)=(B)(1)+ (B)(2) | | | | | | | | | |
| C. Shares held by Custodian for GDRs & ADRs | | | | | | | | | |
| Grand Total (A+B+C) | | 11050000 | 11050000 | 100 | | 18050000 | 18050000 | 100 | |

ii. Shareholding of Promoters

| Sr. No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|--------|--------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|--|--|
| | | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| | | | | | | | | |



| | | | | shares | | | | |
|----|-----------------------|----------|------|--------|----------|------|--|--|
| 1. | Ms. Shruti Joshi | 10 | 0.00 | | 10 | 0.00 | | |
| 2. | CEAT Limited | 11049940 | 100 | | 18049940 | 100 | | |
| 3. | Mr. H.N Singh Rajpoot | 10 | 0.00 | | 10 | 0.00 | | |
| 4. | Mr. Govind Sharma | 10 | 0.00 | | 10 | 0.00 | | |
| 5. | Mr. Sandeep Sarkhot | 10 | 0.00 | | 10 | 0.00 | | |
| 6. | Mr. Kunal Mundra | 10 | 0.00 | | 10 | 0.00 | | |
| 7. | Ms. Geeta Bandekar | 10 | 0.00 | | 10 | 0.00 | | |

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

| Sr. no | | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|--------|---|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| | CEAT Limited | | | | |
| | At the beginning of the year | 11049940 | 100 | | |
| | Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc): | Right Issue 7000000 | 100 | | |
| | At the End of the year | 18049940 | 100 | | |

V. INDEBTEDNESS

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

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| | | | | |

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|---|---------------|--------------|-----|----------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 147,63,11,457 | 500,000,000 | NIL | 1,97,63,11,457 |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not | 1,16,27,816 | | | 1,16,27,816 |
| Total(i+ii+iii) | 148,79,39,273 | 500,000,000 | NIL | 198,79,39,273 |
| Change in Indebtedness during the financial year | | | | |
| - Addition | | | | |
| - Reduction | | | | |
| Net Change | 81,06,13,667 | -1,00,00,000 | | |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 228,99,96,485 | 49,00,00,000 | | 277,99,96,485 |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | 85,56,455 | | | 85,56,455 |
| Total (i+ii+iii) | 229,85,52,940 | 49,00,00,000 | | 278,85,52,940 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: Mr. Kunal Mundra & Mr. Vijaysinh Gambhire

| Sl. No. | Particulars of Remuneration | Mr. Kunal Mundra: MD | Mr. Vijaysinh Gambhire : MD | Total Amount |
|---------|--|----------------------|-----------------------------|--------------|
| 1. | Gross Salary | | | |
| | (a) Salary as per provisions contained in section17(1) of the Income-tax Act, 1961 | 90,58,938 | 9,22,242 | 99,81,180 |
| | (b) Value of perquisites u/s 17(2)Income-tax Act, 1961 | 43,228 | | 43,228 |
| | (c) Profits in lieu of salary undersection17(3)Income-taxAct,1961 | | | |
| 2. | Stock Option | 0 | | 0 |
| 3. | Sweat Equity | 0 | | 0 |
| 4. | Commission | | | |
| | - as% of profit | 0 | | 0 |
| | - others, specify (performance Bonus) | 30,86,054 | | 30,86,054 |
| | - Leave Encashment | 1,23,233 | | 1,23,233 |
| 5. | Others, Contribution to PF & | 4,12,872 | 39,091 | 4,51,963 |



| | | | | |
|----|------------------------|-------------|----------|-------------|
| | Superannuation Fund | | | |
| 6. | Total(A) | 1,27,24,325 | 9,61,333 | 1,36,85,658 |
| | Ceiling as per the Act | 2,40,00,000 | | 2,40,00,000 |

B. Remuneration to other directors: NIL

| Sl. No. | Particulars of Remuneration | Name of MD/WTD/ Manager | | | | Total Amount |
|---------|--|----------------------------|--|--|--|-----------------|
| | <u>Independent Directors</u> | | | | | |
| | • Fee for attending board committee meetings | | | | | |
| | • Commission | | | | | |
| | • Others, please specify | | | | | |
| | Total(1) | | | | | |
| | <u>Other Non-Executive Directors</u> | | | | | |
| | • Fee for attending board committee meetings | | | | | |
| | • Commission | | | | | |
| | • Others, please specify | | | | | |
| | Total (2) | | | | | |
| | Total (B)=(1+2) | | | | | |
| | Total Managerial Remuneration | | | | | |
| | Overall Ceiling as per the Act | | | | | |

C. Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD: NIL

| Sl. no. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|--|--------------------------|-------------------|---------------------|-------|
| | | CEO | Company Secretary | CFO | Total |
| 1. | Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | 1,206,000 | 42,18,306 28,800 | |
| 2. | Stock Option | | | | |
| 3. | Sweat Equity | | | | |



| | | | | | |
|----|---|--|-----------|-----------|--|
| 4. | Commission - as% of profit -others, (Performance Bonus) | | | 13,10,404 | |
| 5. | Others, Contribution to PF & Superannuation Fund | | 64,800 | 175,047 | |
| 6. | Total | | 12,70,800 | 5,732,557 | |

VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

| 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) |
|-------------------------------------|------------------------------|-------------------|---|---------------------------|-----------------------------------|
| A. Company | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. Directors | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. Other Officers In Default | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | | | | | |

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Annexure B

FORM NO. AOC.2

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

This Form pertains to the disclosure of particulars of contracts/ arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018, which were not at arm's length basis.

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

| Name of the Related Party | Nature of Relationship | Nature of contracts/ arrangements/ transactions | Duration of the contracts/ arrangements/ transactions | Salient terms | Amount (in Rs.) |
|---------------------------|------------------------|---|---|---------------|-----------------|
| Ceat Limited | Holding Company | Purchase of Traded Goods | 10 Yrs | NA | 2,616,590,287 |
| Ceat Limited | Holding Company | Loan Taken | N/A | NA | 1,932,000,000 |
| Ceat Limited | Holding Company | Loan Repayment | N/A | NA | 1,942,000,000 |
| Ceat Limited | Holding Company | Interest Paid on Loan | N/A | NA | 37,659,804 |
| Ceat Limited | Holding Company | Equity Infusion | Event Based | NA | 700,000,000 |
| Ceat Limited | Holding Company | Service Charge Paid | N/A | NA | 2,681,478 |
| Ceat Limited | Holding Company | Facility and other lease recovery | 10 Yrs | NA | 153,868,860.48 |
| Ceat Limited | Holding Company | Corporate Guarantee | Event Based | NA | 15,887,970 |

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INDEPENDENT AUDITOR'S REPORT

To the Members of CEAT Specialty Tyres Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of CEAT Specialty Tyres 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 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 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 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 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 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 Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the 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 Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.



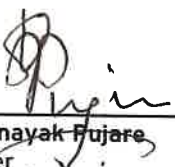
Report on Other Legal and Regulatory Requirements

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 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 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 does not have any pending litigations which would impact its financial position;
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003


per **Vinayak Fajare**
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) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties 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.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act, 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of rubber tyres, tubes and flaps for all types of vehicles, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, 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.
- (c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax and cess which have not been deposited on account of any dispute.
- (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.



S R B C & CO LLP


Chartered Accountants

- (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, 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 Financial Statements of Ceat Specialty Tyres 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 Specialty Tyres Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the 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.



S R B C & CO LLP

Chartered Accountants

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.

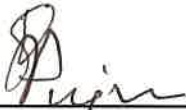
Opinion

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 Fajare**

Partner

Membership Number: 101143

Place of Signature: Mumbai

Date: April 30, 2018



Balance Sheet as at March 31, 2018

(Amount in ₹)

| Particulars | Note No. | As at March 31, 2018 | As at March 31, 2017 |
|--|----------|----------------------|----------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 2,412,648,026 | 497,886,079 |
| Capital work-in-progress | 3 | 926,531,468 | 2,126,983,046 |
| Intangible assets | 4 | 147,401,223 | 9,893,925 |
| Intangible assets under development | 4 | 6,149,350 | 69,760,239 |
| Financial Assets: | | | |
| Investments | 5 | 2,579,200 | |
| Loans | 6 | 925,000 | 975,000 |
| Other financial assets | 7 | 1,964,846 | 4,572,161 |
| Deferred tax assets (net) | 8 | - | - |
| Other non-current assets | 9 | 116,528,627 | 150,044,081 |
| Total non-current assets | | 3,614,727,740 | 2,860,114,531 |
| Current assets | | | |
| Inventories | 10 | 192,937,202 | 129,388,504 |
| Financial Assets: | | | |
| Trade receivables | 11 | 511,578,787 | 303,458,332 |
| Cash and cash equivalents | 12 | 27,807,654 | 60,611,818 |
| Loans | 13 | 7,834,789 | 5,852,508 |
| Other financial assets | 14 | - | 10,389,281 |
| Current tax assets (net) | 15 | 83,493 | 67,255 |
| Other current assets | 16 | 327,056,689 | 87,757,190 |
| Total current assets | | 1,067,298,614 | 597,524,888 |
| Total assets | | 4,682,026,354 | 3,457,639,419 |
| Equity and liabilities | | | |
| Equity | | | |
| Equity Share Capital | 17 | 180,500,000 | 110,500,000 |
| Other Equity | 18 | 1,019,486,269 | 810,166,646 |
| Total equity | | 1,199,986,269 | 920,666,646 |
| Non-current liabilities: | | | |
| Financial liabilities | | | |
| Borrowings | 19 | 1,788,585,750 | 1,476,311,457 |
| Provisions | 20 | 5,777,236 | 4,107,318 |
| Deferred Revenue | 21 | 38,376,046 | 36,301,664 |
| Total non-current liabilities | | 1,832,739,032 | 1,516,720,439 |
| Current liabilities: | | | |
| Financial Liabilities | | | |
| Borrowings | 22 | 991,410,735 | 500,000,000 |
| Trade payables | 23 | 428,469,753 | 240,251,595 |
| Other financial liabilities | 24 | 198,864,064 | 256,023,361 |
| Deferred Revenue | 21 | 2,074,381 | 5,185,952 |
| Other current liabilities | 25 | 22,351,739 | 16,261,353 |
| Provisions | 20 | 6,130,381 | 2,530,073 |
| Total current liabilities | | 1,649,301,053 | 1,020,252,334 |
| Total equity and liabilities | | 4,682,026,354 | 3,457,639,419 |
| 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



[Signature]
Sandeep Sarkhot
Chief Financial Officer
[Signature]
Sunita Malik
Company Secretary

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

[Signature]
Vijay Gambhire
Managing Director
DIN: 08077671

[Signature]
Arbab Banerjee
Director
DIN: 06559516

Place: Mumbai
Date: April 30, 2018



Statement of Profit and Loss for the year ended March 31, 2018

(Amount in ₹)

| Particulars | Note No. | 2017-18 | 2016-17 |
|--|----------|----------------------|----------------------|
| Income: | | | |
| Revenue from operations | 26 | 2,663,705,835 | 2,238,605,096 |
| Other Income | 27 | 2,870,438 | 3,117,906 |
| Total Income | | 2,666,576,273 | 2,241,723,002 |
| Expenses: | | | |
| Cost of Raw materials consumed | 28 | 204,979,694 | - |
| Purchase of traded goods | 29 | 2,068,063,847 | 1,993,900,272 |
| Changes in inventories of traded goods, finished goods and work in progress | 30 | (27,019,968) | (46,780,623) |
| Employee benefit expense | 31 | 176,578,966 | 119,851,845 |
| Finance costs | 32 | 149,952,359 | 41,554,828 |
| Depreciation and amortization expenses | 33 | 65,707,772 | 5,377,801 |
| Other expenses | 34 | 402,086,399 | 228,140,611 |
| Total expenses | | 3,040,349,069 | 2,342,044,734 |
| Loss before tax | | (373,772,796) | (100,321,732) |
| Tax expense: | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Loss for the year | | (373,772,796) | (100,321,732) |
| Other Comprehensive Income | | | |
| Items that will not be reclassified subsequently to statement of profit and loss | 35 | (1,632,549) | (832,240) |
| Remeasurement losses on defined benefit plans | | | |
| Items that will be reclassified subsequently to the statement of profit and loss | 35 | (45,275,033) | 45,042,128 |
| Net movement on cash flow hedges | | | |
| Total Comprehensive Income for the year (Comprising Loss and Other Comprehensive Income for the year) | | (420,680,378) | (56,111,844) |
| Earnings per equity share (of ₹ 10 each) | 37 | | |
| Basic (In ₹) | | (28.78) | (9.23) |
| Diluted (In ₹) | | (28.78) | (9.23) |
| 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



For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

Sandeep Sarkhot
Chief Financial Officer

Vijay Gambhire
Managing Director
DIN: 08077671

Arnav Banejee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018



Statement of Cash Flows for the year ended March 31, 2018

(Amount in ₹)

| Particulars | 2017-18 | 2016-17 |
|--|---------------|-----------------|
| A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before tax | (373,772,796) | (100,321,732) |
| Adjustments to reconcile loss before tax to net cash flows: | | |
| Depreciation and amortisation | 65,707,772 | 5,377,801 |
| Interest income | (836,264) | (824,105) |
| Finance cost | 149,952,359 | 41,554,828 |
| Dividend income | (215,253) | (2,293,801) |
| Remeasurement loss on defined benefit plans | - | (832,240) |
| Operating loss before working capital changes | (159,164,182) | (57,339,249) |
| Adjustments for : | | |
| (Increase)/decrease in inventories | (63,548,698) | (47,719,508) |
| (Increase)/decrease in trade receivables | (208,120,455) | (114,697,740) |
| (Increase)/decrease in current loans and other current assets | (241,281,779) | (59,350,186) |
| (Increase)/decrease in non-current loans and other non-current assets | 449,100 | (2,516,227) |
| (Increase)/decrease in other current financial assets | 10,389,281 | (10,389,281) |
| Increase/(decrease) in trade payables | 188,218,158 | 84,195,911 |
| Increase/(decrease) in other current liabilities | 6,090,385 | (2,590,953) |
| Increase/(decrease) in other current financial liabilities | 1,975,178 | 16,707,029 |
| Increase/(decrease) in deferred revenue | (1,037,189) | 41,487,616 |
| Increase/(decrease) in current provisions | 3,600,308 | (1,242,412) |
| Increase/(decrease) in non-current provisions | 1,669,918 | (1,293,176) |
| Cash flows used in operating activities | (460,759,975) | (154,748,176) |
| Direct taxes paid | (16,237) | (67,255) |
| Net cash flows used in operating activities (A) | (460,776,212) | (154,815,431) |
| B) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment (including capital work-in-progress and capital advance) | (876,861,310) | (1,693,496,655) |
| Investment in fixed deposit (Margin Money) | 2,951,591 | (2,532,932) |
| (Purchase)/disposal of current investments (net) | (2,579,200) | 1,572,672 |
| Interest received | 491,988 | 998,156 |
| Dividends received | 215,253 | 2,293,801 |
| Net cash flows used in investing activities (B) | (875,781,678) | (1,691,164,958) |
| C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term borrowings | 312,274,293 | 1,476,311,457 |
| Change in short-term borrowings (net) | (55,275,033) | 145,231,217 |
| Proceeds from short-term buyers credit | 501,410,735 | - |
| Proceeds from issuance of equity share capital (including share premium) | 700,000,000 | 100,000,000 |
| Interest paid | (153,023,720) | (32,344,365) |
| Net cash flows from financing activities (C) | 1,305,386,275 | 1,689,198,309 |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | (31,171,615) | (156,782,080) |
| Cash and cash equivalents at the beginning of the year (Refer note 12) | 60,611,818 | 217,393,898 |
| Cash and cash equivalents at the end of the year (Refer note 12) | 29,440,203 | 60,611,818 |

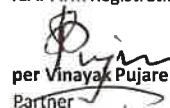
The accompanying notes are an integral part of the financial statements

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

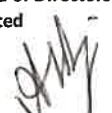
Date: April 30, 2018

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited


Sandeep Sarkhot
Chief Financial Officer



Vijay Gambhire
Managing Director
DIN: 08077671



Arnab Banerjee
Director
DIN: 06559516

Sunil Malik
Company Secretary

Place: Mumbai
Date: April 30, 2018



CEAT Specialty Tyres Limited

Statement of Changes in Equity for the year ended March 31, 2018

a. Equity share capital:

| (Amount in ₹) | | |
|--|------------|-------------|
| Particulars | Nos. | Amount |
| Equity shares of ₹ 10 each issued, subscribed and fully paid | | |
| As at April 1, 2016 | 10,050,000 | 100,500,000 |
| Issue of share capital | 1,000,000 | 10,000,000 |
| As at March 31, 2017 | 11,050,000 | 110,500,000 |
| Issue of share capital | 7,000,000 | 70,000,000 |
| As at March 31, 2018 | 18,050,000 | 180,500,000 |

b. Other equity

| (Amount in ₹) | | | | |
|------------------------------|--------------------------------------|-----------------------------|-----------------------------------|---------------|
| Particulars | Reserves & Surplus | | Items of OCI | Total |
| | Securities Premium reserve (Note 18) | Retained earnings (Note 18) | Cash Flow Hedge Reserve (Note 18) | |
| As at April 1, 2016 | 900,000,000 | (123,721,510) | - | 776,278,490 |
| Loss for the year | - | (100,321,732) | - | (100,321,732) |
| Other comprehensive income | - | (832,240) | 45,042,128 | 44,209,888 |
| Total comprehensive income | 900,000,000 | (224,875,481) | 45,042,128 | 720,166,647 |
| Add : Issue of share capital | 90,000,000 | - | - | 90,000,000 |
| As at March 31, 2017 | 990,000,000 | (224,875,481) | 45,042,128 | 810,166,647 |
| Loss for the year | - | (373,772,796) | - | (373,772,796) |
| Other comprehensive income | - | (1,632,549) | (45,275,033) | (46,907,582) |
| Total comprehensive income | 990,000,000 | (600,280,827) | (232,905) | 389,486,269 |
| Add : Issue of share capital | 630,000,000 | - | - | 630,000,000 |
| As at March 31, 2018 | 1,620,000,000 | (600,280,827) | (232,905) | 1,019,486,269 |

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: 324982C/C300003
per Vinayak Pujare
Partner
Membership Number :101143
Place: Mumbai
Date: April 30, 2018




Sandeep Sarkhot
Chief Financial Officer

Sunil Malik
Company Secretary

For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited

Vijay Gambhire
Managing Director
DIN: 08077671

Anshu Banerjee
Director
DIN: 06559516

Place: Mumbai
Date: April 30, 2018



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 3: Property, plant and equipment and capital work-in-progress

| | (Amount in ₹) | | | | |
|----------------------------------|----------------------|----------------------|---------------------|--------------------------|-----------------|
| Particulars | Leasehold land | Buidings | Plant and equipment | Capital work-in-progress | Total |
| Gross Carrying Amount | | | | | |
| As at April 1, 2016 | 501,897,100 | - | 560,175 | 383,409,978 | 885,867,253 |
| Additions | - | - | 3,466,253 | 1,743,573,068 | 1,747,039,321 |
| As at March 31, 2017 | 501,897,100 | - | 4,026,428 | 2,126,983,046 | 2,632,906,574 |
| As at April 1, 2017 | 501,897,100 | - | 4,026,428 | 2,126,983,046 | 2,632,906,573 |
| Additions | 155,044,870 | 437,652,607 | 1,370,455,585 | 756,676,025 | 2,719,829,087 |
| Transfers/Capitalised | - | - | - | (1,957,127,603) | (1,957,127,603) |
| As at March 31, 2018 | 656,941,970 | 437,652,607 | 1,374,482,012 | 926,531,468 | 3,395,608,057 |
| Accumulated Depreciation | | | | | |
| As at April 1, 2016 | 2,107,477 | - | 76,838 | - | 2,184,315 |
| Depreciation charge for the year | 5,283,188 | - | 569,946 | - | 5,853,134 |
| As at March 31, 2017 | 7,390,665 | - | 646,784 | - | 8,037,449 |
| Accumulated Depreciation | 7,390,665 | - | 646,784 | - | 8,037,449 |
| Depreciation charge for the year | 6,077,284 | 4,481,314 | 37,832,515 | - | 48,391,114 |
| As at March 31, 2018 | 13,467,949 | 4,481,314 | 38,479,299 | - | 56,428,563 |
| Net Book Value | | | | | |
| As at March 31, 2017 | 494,506,435 | - | 3,379,644 | 2,126,983,046 | 2,624,869,125 |
| As at March 31, 2018 | 643,474,021 | 433,171,293 | 1,336,002,713 | 926,531,468 | 3,339,179,495 |
| Net Book Value | (Amount in ₹) | | | | |
| | As at March 31, 2018 | As at March 31, 2017 | | | |
| Property, plant and equipment | 2,412,648,026 | 497,886,079 | | | |
| Capital work in progress | 926,531,468 | 2,126,983,046 | | | |
| Net book value | 3,339,179,495 | 2,624,869,125 | | | |

1. 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.

| | (Amount in ₹) | |
|--------------------------------------|--------------------|--------------------|
| Particulars | FY 2017-18 | FY 2016-17 |
| Employee benefit expense | 49,125,710 | 21,859,423 |
| Finance costs | 90,070,982 | 48,283,976 |
| Professional and consultancy charges | 31,340,000 | 500,000 |
| Amortization on leasehold land | 2,648,831 | 5,283,188 |
| Rates and Taxes | 11,571,620 | 29,497,269 |
| Other expenses | 27,650,475 | 16,703,081 |
| Total | 212,407,618 | 122,126,937 |

2. Refer Note 19 for details on pledges and securities

3. The amount of borrowing cost capitalised during the year ended March 31, 2018 was INR 90,070,982 (March 31, 2017 INR 48,283,976). The rate used to determine the amount of borrowing cost eligible for capitalisation was 8.62 % (March 31, 2017 - 8.62 %) which is the effective interest rate of specific borrowings



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 4: Intangible assets

| (Amount in ₹) | | | |
|-------------------------------------|-----------------------|-------------------------------------|--------------------|
| Particulars | Software | Intangible assets under development | Total |
| Gross Carrying Amount | | | |
| As at April 1, 2016 | 11,484,491 | 8,436,274 | 19,920,765 |
| Additions | 4,169,100 | 65,493,065 | 69,662,165 |
| Transferred | | (4,169,100) | (4,169,100) |
| As at March 31, 2017 | 15,653,591 | 69,760,239 | 85,413,830 |
| As at April 1, 2017 | 15,653,591 | 69,760,239 | 85,413,830 |
| Additions | 157,472,790 | 87,615,370 | 245,088,160 |
| Transferred | - | (151,226,259) | (151,226,259) |
| As at March 31, 2018 | 173,126,381 | 6,149,350 | 179,275,731 |
| Amortization and Impairment | | | |
| As at April 1, 2016 | 951,811 | - | 951,811 |
| Additions | 4,807,855 | - | 4,807,855 |
| As at March 31, 2017 | 5,759,666 | - | 5,759,666 |
| As at April 1, 2017 | 5,759,666 | - | 5,759,666 |
| Additions | 19,965,492 | - | 19,965,492 |
| As at March 31, 2018 | 25,725,158 | - | 25,725,158 |
| Net Book Value | | | |
| As at March 31, 2017 | 9,893,925 | 69,760,239 | 79,654,164 |
| As at March 31, 2018 | 147,401,223 | 6,149,350 | 153,550,573 |
| Net Book Value | (Amount in ₹) | | |
| Particulars | March 31, 2018 | March 31, 2017 | |
| Software | 147,401,223 | 9,893,925 | |
| Intangible assets under development | 6,149,350 | 69,760,239 | |
| Net book value | 153,550,573 | 79,654,164 | |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 5: Investments

(Amount in ₹)

Non Current (at amortized cost)
Unquoted equity shares (Non-trade)
Investment in Subsidiaries

400 (March 31, 2017 : Nil) equity shares of CEAT Specialty Tires INC. (Face value : USD 1 each)

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 2,579,200 | - |
| 2,579,200 | - |

Note 6: Loans

Non current (at amortised cost)
Unsecured, considered good:
Security Deposits
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 925,000 | 975,000 |
| 925,000 | 975,000 |

Note 7: Other financial assets

Non current (at amortised cost)
Unsecured, considered good
Margin money deposits
Interest receivable
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 1,286,341 | 4,237,932 |
| 678,505 | 334,229 |
| 1,964,846 | 4,572,161 |

The margin money deposits are for bank guarantees given to statutory authorities.

Note 8: Deferred tax assets (net)

Major components of deferred tax assets and deferred tax liabilities:

Deferred tax assets

Business losses

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 65,833,743 | 2,083,987 |

Deferred tax liabilities

Property, plant and equipment: impact of difference between tax depreciation and depreciation/amortisation for the financial reporting

| | |
|------------|-----------|
| 65,833,743 | 2,083,987 |
|------------|-----------|

Deferred tax assets (net)

| | |
|---|---|
| - | - |
|---|---|

The net deferred tax asset as at March 31, 2018 has not been accounted in view of the requirements as stated in Ind AS 12 on "Income Taxes".

Note 9: Other non-current assets

Unsecured, considered good :
Capital advances
Prepaid Expense
Security Deposit
Balance with government authorities
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 114,725,500 | 147,841,854 |
| 1,777,127 | 2,176,227 |
| 1,000 | 1,000 |
| 25,000 | 25,000 |
| 116,528,627 | 150,044,081 |

Note 10: Inventories (At Cost or NRV, whichever is lower)

a) Raw materials
b) Work in progress
c) Finished goods
d) Traded goods
e) Stores and Spares
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 34,912,608 | - |
| 10,415,898 | - |
| 20,337,787 | - |
| 124,715,902 | 128,449,619 |
| 2,555,007 | 938,885 |
| 192,937,202 | 129,388,504 |

(i)- Details of traded and finished goods under broad heads:

Tyres
Tubes and others
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 126,243,805 | 105,575,319 |
| 18,809,884 | 22,874,300 |
| 145,053,689 | 128,449,619 |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 11: Trade receivables
(Amount in ₹)

 Trade receivables from others
Total receivables

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 511,578,787 | 303,458,332 |
| 511,578,787 | 303,458,332 |

Break-up for security details:

 Secured, Considered good*
 Unsecured, Considered good
 Doubtful
Total
 Allowance for doubtful debts
Total trade receivables

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 49,410,000 | 70,081,994 |
| 462,168,787 | 233,376,339 |
| - | - |
| 511,578,788 | 303,458,332 |
| - | - |
| 511,578,788 | 303,458,332 |

*These debts are secured to the extent of security deposits 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 and are generally on terms of 30 to 60 days credit period.

Note 12: Cash and cash equivalents

 Balances with Banks
 - On current Accounts
 Deposits with Maturity of less than 3 months
 Cash on hand
Cash and cash equivalent as per statement of cash flow

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 27,779,233 | 15,584,373 |
| - | 45,000,000 |
| 28,421 | 27,445 |
| 27,807,654 | 60,611,818 |

Note 13: Loans
Current (at amortised cost)
Unsecured, Considered Good:
 Advance receivable in cash
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 7,834,789 | 5,852,508 |
| 7,834,789 | 5,852,508 |

Note 14: Other financial assets
At fair value through other comprehensive income
 Derivative financial instrument
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| - | 10,389,281 |
| - | 10,389,281 |

Note 15: Current tax assets (net)

 Advance payment of tax (net)
Current tax assets (net)

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 83,493 | 67,255 |
| 83,493 | 67,255 |

Note 16: Other current assets
Unsecured, considered good
 Advance receivable in kind or for value to be received
 Reimbursement towards warranty provision from related party
 Balance with government authorities
 Advance to employees
 Prepaid expense
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 17,600,430 | 5,273,223 |
| 4,808,061 | 1,852,970 |
| 292,252,075 | 75,732,263 |
| 2,368,448 | 1,359,348 |
| 10,027,676 | 3,539,386 |
| 327,056,690 | 87,757,190 |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 17: Equity share capital

Authorised share capital

| | Equity shares | | Preference Shares | |
|---------------------------------------|---------------|-------------|-------------------|---------------|
| | Numbers | ₹ | Numbers | ₹ |
| As at April 1, 2016 | 11,550,000 | 115,500,000 | 1,750,000 | 175,000,000 |
| Increase / (decrease) during the year | - | - | - | - |
| As at March 31, 2017 | 11,550,000 | 115,500,000 | 1,750,000 | 175,000,000 |
| Increase / (decrease) during the year | 17,500,000 | 175,000,000 | (1,750,000) | (175,000,000) |
| As at March 31, 2018 | 29,050,000 | 290,500,000 | - | - |

Issued, Subscribed and Paid-up share capital

Equity shares of ₹ 10 each issued, subscribed and fully paid

| | Numbers | ₹ |
|--------------------------|------------|-------------|
| As at April 1, 2016 | 10,050,000 | 100,500,000 |
| Allotted during the year | 1,000,000 | 10,000,000 |
| As at March 31, 2017 | 11,050,000 | 110,500,000 |
| Allotted during the year | 7,000,000 | 70,000,000 |
| As at March 31, 2018 | 18,050,000 | 180,500,000 |

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 shareholder 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.

Details of shareholders holding more than 5% shares in the Company

| Name of the shareholders | As at March 31, 2018 | | As at March 31, 2017 | |
|---------------------------------------|----------------------|------------------------|----------------------|------------------------|
| | Numbers | % holding in the class | Numbers | % holding in the class |
| Equity shares of ₹ 10 each fully paid | | | | |
| CEAT Ltd and its nominees | 18,050,000 | 100.00% | 11,050,000 | 100.00% |

Shares held by holding company

| Name of the shareholders | As at March 31, 2018 | | As at March 31, 2017 | |
|---------------------------------------|----------------------|------------------------|----------------------|------------------------|
| | Numbers | % holding in the class | Numbers | % holding in the class |
| Equity shares of ₹ 10 each fully paid | | | | |
| CEAT Ltd and its nominees | 18,050,000 | 100.00% | 11,050,000 | 100.00% |



CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

(Amount in ₹)

Note 18: Other equity

| | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Securities premium reserve (refer foot note a) | 1,620,000,000 | 990,000,000 |
| Cash flow hedge reserve (refer foot note b) | (232,905) | 45,042,128 |
| Retained earnings (refer foot note c) | (600,280,827) | (224,875,481) |
| Total | 1,019,486,269 | 810,166,647 |

a) Securities premium reserve

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

As at April 1, 2016

Premium on equity shares issued during the year

As at March 31, 2017

Premium on equity shares issued during the year

As at March 31, 2018

| ₹ |
|----------------------|
| 900,000,000 |
| 90,000,000 |
| 990,000,000 |
| 630,000,000 |
| 1,620,000,000 |

b) Cash flow hedge reserve

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

As at April 1, 2016

Gain arising during the year

As at March 31, 2017

Loss arising during the year

As at March 31, 2018

| ₹ |
|-------------------|
| - |
| 45,042,128 |
| 45,042,128 |
| (45,275,033) |
| (232,905) |

c) Retained earnings

As at April 1, 2016

Loss for the year

Other comprehensive income

As at March 31, 2017

Loss for the year

Other comprehensive income

As at March 31, 2018

| ₹ |
|----------------------|
| (123,721,510) |
| (100,321,732) |
| (832,240) |
| (224,875,481) |
| (373,772,796) |
| (1,632,549) |
| (600,280,827) |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 19: Borrowings
(At amortised cost)

| | As at March 31, 2018 | As at March 31, 2017 |
|---|----------------------|----------------------|
| Non-current interest bearing loans and borrowings: | | |
| I. Secured: | | |
| Term loans | | |
| a) Indian rupee loan from banks | 1,444,998,250 | 444,442,500 |
| ICICI Bank Ltd. (refer foot note 1 and 3) | 343,587,500 | 242,875,000 |
| YES Bank Ltd. (refer foot note 2 and 3) | - | 407,668,293 |
| b) Buyer's Credit from bank | - | 381,325,664 |
| c) Rupee Term Loan (FCNR) | 1,788,585,750 | 1,476,311,457 |
| Total | | |

1. Term Loan from ICICI Bank of ₹ 145 crores is secured by first pari passu charge over the all movable and immovable fixed assets of the borrower and second pari-passu, charge by way of hypothecation on all current assets the Borrower. It carries interest at 8.50% 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 quarterly instalments, commencing (March 2020) at the end of 13th quarter from First Drawdown date (Dec 2016). |
| 2020-21 | 10.00% | |
| 2021-22 | 11.25% | |
| 2022-23 | 15.00% | |
| 2023-24 | 15.00% | |
| 2024-25 | 15.63% | |
| 2025-26 | 17.50% | |
| 2026-27 | 13.13% | |

2. Term Loan from YES Bank of ₹ 35 crores is secured by first pari passu charge over the all movable and immovable fixed assets of the borrower and second pari-passu, charge by way of hypothecation on all current assets the Borrower. 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 quarterly instalments, commencing (Dec 2019) at the end of 13th quarter from First Drawdown date (September 2016). |
| 2020-21 | 10.00% | |
| 2021-22 | 12.50% | |
| 2022-23 | 15.00% | |
| 2023-24 | 15.00% | |
| 2024-25 | 16.25% | |
| 2025-26 | 17.50% | |
| 2026-27 | 8.75% | |

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

Note 20: Provisions

| | As at March 31, 2018 | As at March 31, 2017 |
|--|----------------------|----------------------|
| Non-current provisions | | |
| Provision for gratuity | 952,694 | 639,919 |
| Provision for compensated absences (Refer foot note a) | 4,824,542 | 3,467,399 |
| Total | 5,777,236 | 4,107,318 |
| Current provisions | | |
| Provision for warranty (Refer foot note b) | 5,599,781 | 2,139,204 |
| Provision for compensated absences (Refer foot note a) | 530,600 | 390,869 |
| Total | 6,130,381 | 2,530,073 |

a) Compensated absences:

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

Movement in provision for compensated absences:

| | As at March 31, 2018 | As at March 31, 2017 |
|---------------------------------|----------------------|----------------------|
| As at the beginning of the year | 3,858,268 | 1,833,279 |
| Additions during the year | 1,496,874 | 2,024,989 |
| As at the end of the year | 5,355,142 | 3,858,268 |

b) Provision for warranty:

A provision is recognized for expected warranty claims on product sold during the last financial year, based on management's estimate and past experience on 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 used on current sales level and current information available about returns and claims received for all products sold.

Movement in provision for warranty:

| | As at March 31, 2018 | As at March 31, 2017 |
|---------------------------------|----------------------|----------------------|
| As at the beginning of the year | 2,139,204 | 3,341,933 |
| Additions during the year | 8,943,209 | 9,148,272 |
| Utilised during the year | (5,482,632) | (10,351,001) |
| As at the end of the year | 5,599,781 | 2,139,204 |

The reimbursement receivable amounting to ₹ 4,808,061 (March 31, 2017: ₹ 18,52,970) in respect of the Warranty provision, has been recognized as an asset, in accordance with Company's accounting policy, and included under other current assets in Note 16.



CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 21: Deferred revenue

Opening balance
Deferred during the year
Released to the statement of profit and loss
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 41,487,617 | 41,487,616 |
| (1,037,190) | - |
| 40,450,427 | 41,487,616 |
| 2,074,381 | 5,185,952 |
| 38,376,046 | 36,301,665 |
| 40,450,427 | 41,487,617 |

Note:

The deferred revenue relates to accrual of custom duty availed on Import of plant and equipment for Ambarnath plant under EPCG scheme. As at March 31, 2018 the estimated amount for deferred revenue amounted to ₹ 40,450,427 (March 31, 2017: ₹ 41,487,617)

Note 22: Borrowings

Current
Secured
Buyer's Credit from bank (refer note (a))
Unsecured
Inter corporate deposit from related party (refer note (b))
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 501,410,735 | - |
| 490,000,000 | 500,000,000 |
| 991,410,735 | 500,000,000 |

Notes:

- a) All short-term borrowings availed in foreign currency during the year (including FCNR & Buyers Credit forming a part of the Term Loan) 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) The Inter corporate deposit taken from Ceat Ltd is ₹ 490,000,000 as on March 31, 2018 (March 31, 2017: ₹ 50,00,00,000). The rate of interest on loan of ₹ 34,00,00,000 is 8.50 % p.a as on 31st March, 2018 and on loan of ₹ 15,00,00,000 is 10.20 % p.a as on 31st March, 2018

Note 23: Trade payables

Trade Payables
Dues to micro and small enterprises (Refer footnote)
Trade payable to related parties *
Trade payables (others)
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 223,621,601 | 169,973,004 |
| 204,848,152 | 70,278,591 |
| 428,469,753 | 240,251,595 |

Note:

There are no Micro and Small Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

*** Terms and conditions of the above financial liabilities:**

- Trade payables are non-interest bearing and are normally settled on 30 days credit terms
- For terms and conditions with related parties, refer to note 41.

Note 24: Other financial liabilities

Current (at amortised cost)
Interest accrued but not due on borrowings
Payable to capital vendors
Derivative financial instrument
Deposits from dealers & others
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 8,556,455 | 11,627,816 |
| 118,250,437 | 174,313,551 |
| 1,826,735 | - |
| 70,230,437 | 70,081,994 |
| 198,864,064 | 256,023,361 |

Note 25: Other current liabilities

Statutory dues
Advance from Customers
Total

| As at March 31, 2018 | As at March 31, 2017 |
|----------------------|----------------------|
| 15,546,739 | 6,072,353 |
| 6,805,000 | 10,189,000 |
| 22,351,739 | 16,261,353 |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 26: Revenue from operations
(Amount in ₹)

| | 2017-18 | 2016-17 |
|--|----------------------|----------------------|
| 1)- Sale of Products : | | |
| i) Sale of traded goods | 2,424,457,065 | 2,235,440,498 |
| ii) Sale of manufactured goods | 224,711,340 | - |
| 2)- Other operating revenue | | |
| i) Government grants (Refer foot note) | 12,097,451 | 3,164,598 |
| ii) Sales of Scrap | 2,439,979 | - |
| Total | 2,663,705,835 | 2,238,605,096 |

Note:

The Company has recognised a government grant of ₹ 11,060,260.94 (March 31, 2016: ₹ 3,164,598) 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 grant of Rs.1,037,190 (March, 2017 : Nil) relating to benefit received from EPCG.

Details of sales under broad heads:

| | 2017-18 | 2016-17 |
|------------------|----------------------|----------------------|
| Tyres | 2,460,808,242 | 2,047,906,549 |
| Tubes and others | 188,360,163 | 187,533,949 |
| Total | 2,649,168,405 | 2,235,440,498 |

Note 27: Other Income

| | 2017-18 | 2016-17 |
|--|------------------|------------------|
| Interest income on | | |
| Bank deposits | 827,564 | 822,045 |
| Other deposits | 8,700 | 2,060 |
| Dividend income on current investments | 215,253 | 2,293,801 |
| Foreign exchange fluctuations (net) | 1,818,921 | - |
| Total | 2,870,438 | 3,117,906 |

Note 28: Cost of materials consumed

| | | |
|----------------------|--------------------|----------|
| Opening stock | - | - |
| Add : Purchases | 239,892,302 | - |
| Less : Closing stock | 34,912,608 | - |
| Total | 204,979,694 | - |

Details of Raw materials consumed

| | 2017-18 | 2016-17 |
|-----------------|--------------------|----------|
| Bead | 3,021,779 | - |
| Fabric | 40,944,218 | - |
| Other Materials | 2,810,661 | - |
| Compound | 158,703,036 | - |
| Total | 204,979,694 | - |

Details of closing inventories

| | 2017-18 | 2016-17 |
|-----------------|-------------------|----------|
| Bead | 1,443,313 | - |
| Fabric | 8,639,120 | - |
| Other Materials | 19,086,953 | - |
| Compound | 5,743,222 | - |
| Total | 34,912,608 | - |

Note 29: Purchase of Traded Goods

| | 2017-18 | 2016-17 |
|--------------------------|----------------------|----------------------|
| Purchase of traded goods | 2,068,063,847 | 1,993,900,272 |
| Total | 2,068,063,847 | 1,993,900,272 |

Note 30: Changes in inventories of traded goods

| | 2017-18 | 2016-17 |
|---|---------------------|---------------------|
| Inventories at the beginning of the year | | |
| a) Work-in-progress | - | - |
| b) Finished Goods | - | - |
| c) Traded Goods | 128,449,619 | 81,668,996 |
| | 128,449,619 | 81,668,996 |
| Inventories at the end of the year | | |
| a) Work-in-progress | 10,415,898 | - |
| b) Finished Goods | 20,337,787 | - |
| c) Traded Goods | 124,715,902 | 128,449,619 |
| | 155,469,587 | 128,449,619 |
| Total change in Inventories | (27,019,968) | (46,780,623) |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018
Note 31: Employee benefit expense

(Amount in ₹)

| |
|---|
| Salaries, wages and bonus |
| Contribution to provident and other funds |
| Gratuity expenses (Refer note 39) |
| Staff welfare expenses |
| Total |

| 2017-18 | 2016-17 |
|--------------------|--------------------|
| 143,372,059 | 103,144,652 |
| 6,899,809 | 4,366,166 |
| 1,722,826 | 1,100,638 |
| 24,584,272 | 11,240,389 |
| 176,578,966 | 119,851,845 |

Note 32: Finance costs

| |
|----------------------------------|
| Interest on debts and borrowings |
| Other finance charges |
| Total |

| 2017-18 | 2016-17 |
|--------------------|-------------------|
| 133,824,906 | 37,777,827 |
| 16,127,453 | 3,777,001 |
| 149,952,359 | 41,554,828 |

Note 33: Depreciation and amortization expense

| |
|--|
| Depreciation of tangible assets (Refer note 3) |
| Amortization of intangible assets (Refer note 4) |
| Total |

| 2017-18 | 2016-17 |
|-------------------|------------------|
| 45,742,280 | 569,946 |
| 19,965,492 | 4,807,855 |
| 65,707,772 | 5,377,801 |

Note 34: Other expenses

| |
|--|
| Freight and delivery charges |
| Warehouse charges |
| Rent for premises |
| Lease rent |
| Rates and taxes |
| Insurance |
| Stores and spares consumed |
| Power and Fuel |
| Repairs Plant and Machinery |
| Repairs Building |
| Repairs Others |
| Travelling and conveyance |
| Printing and stationery |
| Payment to auditor (Refer foot note 1) |
| Advertisement and sales promotion expenses |
| Communication expenses |
| Legal charges |
| Professional and consultancy charges |
| Commission on sales |
| Training and conference expenses |
| Bank charges |
| Office expenses |
| Foreign exchange fluctuations (net) |
| Miscellaneous expenses |
| Total |

| 2017-18 | 2016-17 |
|--------------------|--------------------|
| 75,301,738 | 63,674,352 |
| 4,505,857 | 4,738,935 |
| 2,570,702 | 2,266,935 |
| 757,193 | 2,283,311 |
| 28,616 | 261,644 |
| 4,417,770 | 1,786,779 |
| 5,590,196 | - |
| 28,347,823 | - |
| 5,066,088 | - |
| 43,600 | - |
| 147,912 | 352,111 |
| 39,509,445 | 23,597,036 |
| 790,752 | 299,182 |
| 1,682,342 | 1,608,821 |
| 80,037,911 | 37,151,372 |
| 8,359,964 | 6,218,245 |
| 8,831,650 | 2,546,636 |
| 52,275,810 | 14,448,257 |
| 1,860,000 | - |
| 4,114,269 | 1,280,500 |
| 5,957,643 | 2,959,866 |
| 35,008,925 | 35,705,205 |
| - | 9,498,067 |
| 36,880,193 | 17,463,357 |
| 402,086,399 | 228,140,611 |

1. Payments to auditor:

As auditor

| | | |
|----------------|---------|---------|
| Audit fee* | 950,000 | 950,000 |
| Limited review | 600,000 | 600,000 |

In other capacity:

| | | |
|---------------------------|---------|--------|
| Certification fees | 125,000 | 50,000 |
| Reimbursement of expenses | 7,342 | 8,821 |

Total payment to auditor

* exclusive of Service tax / GST

| | |
|------------------|------------------|
| 1,682,342 | 1,608,821 |
|------------------|------------------|

Note 35: Components of other comprehensive income

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

As at March 31, 2018

| |
|---|
| Net movement of cash flow hedges |
| Remeasurement losses on defined benefit plans |
| Total |

| Cash flow hedge reserve | Retained earnings |
|-------------------------|-------------------|
| (45,275,033) | - |
| - | - |
| (45,275,033) | - |

As at March 31, 2017

| |
|---|
| Net movement of cash flow hedges |
| Remeasurement losses on defined benefit plans |
| Total |

| | |
|-------------------|----------|
| 45,042,128 | - |
| - | - |
| 45,042,128 | - |



CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 36: Research and development costs

| | 2017-18 | 2016-17 |
|---------------------|--------------------|-------------------|
| Capital expenditure | 57,658,125 | 11,315,659 |
| Revenue expenditure | 47,138,307 | 2,828,915 |
| Total | 104,796,432 | 14,144,574 |

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 37: Earning 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:

| | 2017-18 | 2016-17 |
|---|---------------|---------------|
| Net loss after tax for calculation of basic and diluted EPS | (373,772,796) | (100,321,732) |
| Weighted average number of equity shares (face value per share ₹ 10) in calculating basic EPS and diluted EPS | 12,986,986 | 10,869,178 |
| Basic earnings per share | (28.78) | (9.23) |
| Diluted earnings per share | (28.78) | (9.23) |



CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

Note 1: Corporate information

CEAT Specialty Tyres Limited ('Company') is a wholly owned subsidiary of CEAT Limited and is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is engaged in the business of manufacturing and trading in Off the Road (OTR) Tyres. The Company started operations in 2015 when its name was changed from Unitgro Comtrade Private Limited to CEAT Specialty Tyres Private Limited and subsequently converted to CEAT Specialty Tyres Limited. The Company caters to both domestic and international markets. The registered office of the Company is situated at RPG House, 463, Dr. Annie Besant Road, Worli, Mumbai – 400030.

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.

2. Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

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

3. Revenue recognition

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

However, GST is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

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



Sale of goods

Revenue from the sale of goods (i.e. tyres) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of tyres is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates, cash discounts, sales taxes and value added taxes. The Company provides normal warranty provisions for a period of three years on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold – see 'Provisions' accounting policy for more information.

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.

Government grants

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.

4. 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 Company operates and generates taxable income.

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

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

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

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

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

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

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

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

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



5. 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. Cost comprises the purchase price and any attributable cost of bringing asset to its working condition for its intended use only. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Leasehold land – amortised over the period of the lease ranging from 95 years – 99 years.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| Asset Class | Useful life |
|--------------------------|---------------------|
| Buildings | 50 years - 60 years |
| Plant & Machinery | 15 years - 20 years |
| Electrical Installations | 20 years |
| Office Equipment | 5 years |
| Computers | 3 years |
| Moulds | 6 years |
| Furniture and Fixtures | 10 years |
| Vehicles | 8 years |

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.

6. Intangible assets

Intangible assets acquired separately/internally generated 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 indefinite.

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 indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite 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 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.



Research and development costs:

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.

7. 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.

8. 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.

Company as a lessee

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.

9. Inventories:

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

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

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



CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2018

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.

10. 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 or loss.

11. 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.

Where the company expects some or all of a provision to be reimbursed for warranty provision, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to warranty provision is presented in the statement of profit and loss net of any reimbursement.

12. 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 provident fund and ESIC. 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 provides for retirement benefit in the form of gratuity. The Company's liability towards this benefit is determined on the basis of actuarial valuation using Projected Unit Credit Method at the date of balance sheet.

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

Past service costs are recognised in profit or 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 Profit and Loss 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.

13. 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 or 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 profit or loss. The losses arising from impairment are recognised in the profit or loss.



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 P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. 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 P&L.

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 P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

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

Derecognition

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

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

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

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

Impairment of financial assets

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

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial assets that are debt instruments and are measured as at FVTOCI
- c) Lease receivables under Ind AS 17
- d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18
- e) Loan commitments which are not measured as at FVTPL
- f) Financial guarantee contracts which are not measured as at FVTPL

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

Trade receivables

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



Notes to the financial statements for the year ended March 31, 2018

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 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 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 (P&L). This amount is reflected under the head 'other expenses' in the P&L. 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. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

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 or 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 or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or 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 P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.



Notes to the financial statements for the year ended March 31, 2018

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 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.

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 or loss.

Reclassification of financial assets

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

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

| Original classification | Revised classification | Accounting treatment |
|-------------------------|------------------------|--|
| Amortised cost | FVTPL | Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L. |
| 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 P&L 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.

14. Fair value measurement

The Company measures financial instruments, such as, mutual funds 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.



Notes to the financial statements for the year ended March 31, 2018

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.

15. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

Fair value hedges

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

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through 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 profit or 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 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.

Amounts recognised as OCI are transferred to profit or 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.

16. 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.



17. 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.

18. Foreign currencies:

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

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

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

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

19. 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.

20. Segment Reporting

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

21. Contingent liabilities and contingent 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 38: 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.

b) Defined benefit plans (gratuity benefits)

The Company's obligation on account of gratuity and compensated absences is 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 39.

c) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 44 for further disclosures.

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.

e) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 45 and 46 for further disclosures.



Note 39: Post-retirements benefit plan:**a) Defined Contribution plan**

The Company has recognised and included in Note No.30 "Contribution to Provident and other funds" expenses towards the defined contribution plan as under:

| (Amount in ₹) | | |
|---|-----------|-----------|
| Particulars | 2017-18 | 2016-17 |
| Contribution to Provident fund (Government) | 6,899,809 | 4,366,166 |

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 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:

(Amount in ₹)

| Sr. No. | Particulars | 2017-18 | 2016-17 |
|---------|---|------------|-----------|
| 1. | Opening present value of Defined Benefit obligation | 6,450,999 | 3,997,767 |
| 2. | Current Service Cost | 2,164,759 | 1,100,638 |
| 3. | Interest Cost | 489,430 | 301,708 |
| 4. | Benefits paid | - | - |
| 5. | Remeasurement (gain) / loss on obligation in other comprehensive income | | |
| | - Due to change in demographic assumptions | - | - |
| | - Due to change in financial assumptions | (763,548) | 455,817 |
| | - Due to experience adjustments | 2,338,200 | 595,069 |
| 6. | Closing present value of obligation | 10,679,840 | 6,450,999 |



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

(Amount in ₹)

| Sr. No. | Particulars | As At March 31, 2018 | As at March 31, 2017 |
|---------|--|----------------------|----------------------|
| 1. | Fair value of plan assets as at April 1 | 5,811,350 | - |
| 2. | Expected return on plan assets | 441,663 | - |
| 3. | Contributions made | 3,532,030 | 2,398,979 |
| | Increase (decrease) due to effect of any business combination, divestitures, transfers | - | 3,193,725 |
| 4. | Benefits paid | - | - |
| 5. | Return on plan assets, excluding amount recognised in net interest expense | (57,897) | 218,646 |
| 6. | Fair value of plan assets as at March 31 | 9,727,146 | 5,811,350 |

iii) Expenses recognised during the period:

(Amount in ₹)

| Particulars | 2017-18 | 2016-17 |
|--|------------------|------------------|
| In Income Statement | 2,212,256 | 1,402,345 |
| In Other Comprehensive Income | 1,632,549 | 832,240 |
| Total Expenses recognised during the period | 3,844,805 | 2,234,585 |

iv) Expenses recognized in the Income Statement

(Amount in ₹)

| Sr. No. | Particulars | 2017-18 | 2016-17 |
|---------|-------------------------------------|------------------|------------------|
| 1. | Current Service Cost | 2,164,759 | 1,100,638 |
| 2. | Interest Cost on benefit obligation | 489,430 | 301,707 |
| 3. | Expected return on plan assets | (441,663) | - |
| 3. | Net benefit expense | 2,212,256 | 1,402,345 |

v) Expenses recognized in other comprehensive income:

(Amount in ₹)

| Particulars | 2017-18 | 2016-17 |
|---|------------------|----------------|
| Re-measurement arising from changes in demographic assumptions | - | - |
| Re-measurement arising from changes in financial assumptions | (763,548) | 455,817 |
| Re-measurement arising from changes in experience variance | 2,338,200 | 595,069 |
| Return on plan assets, excluding amount recognized in net interest expense | 57,897 | (218,646) |
| Components of defined benefit costs recognized in other comprehensive income | 1,632,549 | 832,240 |

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

(Amount in ₹)

| Sr.No. | Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--------|---|----------------------|----------------------|
| 1. | Closing Present value of the defined benefit obligation | 10,679,839 | 6,450,999 |
| 2. | Closing Fair value of plan Assets | 9,727,145 | 5,811,350 |
| 3. | Net Assets / (Liability) recognized in the Balance Sheet | (952,694) | (639,649) |



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

| Sr. No. | Particulars | (Amount in ₹) | |
|---------|--|----------------------|----------------------|
| | | As at March 31, 2018 | As at March 31, 2017 |
| 1. | Expected return on plan assets | 441,663 | - |
| 2. | Actuarial gain / (loss) on plan assets | (57,897) | 218,486 |
| 3. | Actual return on plan assets | 383,766 | 218,486 |

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

| Particulars | (Amount in ₹) | |
|-------------------------|----------------------|----------------------|
| | As at March 31, 2018 | As at March 31, 2017 |
| Investment with Insurer | 100% | 100% |

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

Description of risk exposures

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

Interest rate risk

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

Liquidity risk

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

Salary escalation risk

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

Demographic risk

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

Regulatory risk

Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. Increase in the maximum limit on gratuity of ₹ 10 lacs).

Asset liability mismatching or market risk

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



Investment risk

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

| Particulars | 2017-18 | 2016-17 |
|--|---|---|
| Discount rates | 7.60% p.a | 6.90% p.a. |
| Salary growth rate | 7.00% p.a | 7.00% p.a. |
| Rate of return on plan assets | 7.60% p.a | 6.90% p.a. |
| Mortality Table | Indian Assured Lives Mortality (IALM) (2006-08) (Modified) Ult. | Indian Assured Lives Mortality (IALM) (2006-08) (Modified) Ult. |
| Disability rate | 5.00% of mortality rate | 5.00% of mortality rate |
| Withdrawal (rate of employee turnover) | 6.00% p.a. | 6.00% p.a. |
| Retirement Age | 58 years | 58 years |

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

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

| Particulars | (Amount in ₹) | |
|-----------------------------------|----------------------|----------------------|
| | As at March 31, 2018 | As at March 31, 2017 |
| Defined Benefit Obligation (Base) | 10,679,839 | 6,450,999 |

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

| Particulars | 2017-18 | | 2016-17 | |
|--|------------|------------|-----------|-----------|
| | Decrease | Increase | Decrease | Increase |
| Discount Rate (- / +1%) | 11,798,334 | 97,26,111 | 7,069,660 | 5,920,588 |
| (% change compared to base due to sensitivity) | 10.47% | (8.93%) | 9.59% | (8.22%) |
| Salary Growth Rate (- / +1%) | 97,35,602 | 11,766,481 | 5,930,388 | 7,046,459 |
| (% change compared to base due to sensitivity) | (8.84%) | 10.17% | (8.07%) | 9.23% |
| Withdrawal Rate (- / +1%) | 10,746,009 | 10,608,867 | 6,520,576 | 6,383,462 |
| (% change compared to base due to sensitivity) | 0.62% | (0.66%) | 1.08% | (1.05%) |

The Company's best estimate of contribution during the next year is ₹ 2,200,000.

The weighted average duration (based on discounted cash flows) of defined benefit obligation is 9 years.

| | (Amount in ₹) | |
|--------------------------------|-------------------|-------------------|
| | March 31, 2018 | March 31, 2017 |
| Year 1 | 427,743 | 271,552 |
| Year 2 | 851,101 | 970,405 |
| Year 3 | 825,155 | 646,258 |
| Year 4 | 2,143,977 | 567,042 |
| Year 5 | 2,013,305 | 1,786,460 |
| Next 5 years | 14,742,991 | 9,442,200 |
| Total expected payments | 21,004,272 | 13,683,917 |



Notes to the financial statements for the year ended March 31, 2018

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

Note 40: Commitments and contingencies**a. Operating Lease**

The Company has entered into 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 ` 757,193 (March 31, 2017: ` 2,283,311) has been charged to statement of profit and loss.

| | (Amount in ₹) | |
|--|---------------|-----------|
| Future minimum rentals payable under non-cancellable operating leases: | 2017-18 | 2016-17 |
| Within one year | 746,016 | 2,473,500 |
| After one year but not more than five years | 2,984,064 | 4,771,713 |
| More than five years | - | - |

b. Commitments

| | (Amount in ₹) | |
|--|----------------------|----------------------|
| Particulars | As at March 31, 2018 | As at March 31, 2017 |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance payments) | 219,078,183 | 254,126,041 |

c. Contingent Liabilities:

As on March 31, 2018 there was no Contingent Liability standing in the books as per IND AS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Note 41: Related party transactions**a) Names of related parties and related party relationship:**

- CEAT Limited – Holding Company
- CEAT Specialty Tires, INC.- Subsidiary Company
- KEC International Limited - (Directors, KMP or their relatives are interested)
- Raychem RPG Private Limited - (Directors, KMP or their relatives are interested)

• Key Management Personnel (KMP):

- Mr. Kunal Mundra, Managing Director till Feb 28, 2018
- Mr. Vijaysinh Shrimantrao Gambhire, Managing Director w.e.f. Mar 1, 2018
- Mr. Sandeep Sarkhot, Chief Financial Officer
- Mr. Paras Kumar Chowdhary, Independent Director
- Mr. Kottukappallil Thomas Tom, Director
- Mr. Anant Vardhan Goenka, Chairman
- Mr. Kishor Chandrakant Shete, Independent Director
- Ms. Shruti Ratnakar Joshi, Director
- Mr. Arnab Mrinal Banerjee, Director
- Mr. Sunil Malik, Company Secretary



CEAT Specialty Tyres Limited
Notes to the 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:

(Amount in ₹)

| Transactions | Related Party | 2017-18 | 2016-17 |
|---|----------------------------|---------------|---------------|
| Purchase of Traded goods (incl. taxes) | CEAT Limited | 2,616,590,287 | 1,942,120,896 |
| Loan taken | CEAT Limited | 1,970,000,000 | 715,000,000 |
| Loan Repayment | CEAT Limited | 1,980,000,000 | 555,000,000 |
| Interest paid on loan (Including Capitalized) | CEAT Limited | 37,659,804 | 39,225,292 |
| Equity Capital (including share premium) received during the year | CEAT Limited | 700,000,000 | 100,000,000 |
| Services Charges incurred | CEAT Limited | 2,681,478 | 2,842,120 |
| Facility & other lease recovery | CEAT Limited | 166,466,115 | 177,414,366 |
| Corporate Guarantee | CEAT Limited | 15,887,970 | - |
| Purchase of machinery equipments | KEC International Limited | - | 24,612,147 |
| Purchase of machinery equipments | Raychem RPG Pvt. Limited | - | 7,859,486 |
| Professional & consultancy expenses | CEAT Specialty Tires, INC. | 23,872,389 | - |
| 100 % equity share investment | CEAT Specialty Tires, INC. | 2,579,200 | - |

Balance outstanding at the year-end:

(Amount in ₹)

| Amount due to / from related party | Related party | As at March 31, 2018 | As at March 31, 2017 |
|---|----------------------------|----------------------|----------------------|
| Inter Corporate Deposit – Loans taken | CEAT Limited | 490,000,000 | 500,000,000 |
| Trade payable – Purchases | CEAT Limited | 192,513,840 | 1,53,647,222 |
| Trade payable – Others | CEAT Limited | 26,746,838 | 16,325,782 |
| Payable to Capital Vendor | Raychem RPG Pvt. Limited | 4,701 | 4,701 |
| Payable for Professional & consultancy expenses | CEAT Specialty Tires, INC. | 4,356,222 | - |
| 100 % equity share investment | CEAT Specialty Tires, INC. | 2,579,200 | - |

Transactions with key management personnel and their relatives:

(Amount in ₹)

| Sr. No. | Related party | 2017-18 | 2016-17 |
|---------|--|-------------------|-------------------|
| 1) | Mr. Kunal Mundra | | |
| | Salaries | 9,058,938 | 7,225,696 |
| | Allowances and Perquisites | 43,228 | 4,830,708 |
| | Performance bonus | 3,086,054 | - |
| | Contribution to Provident & Superannuation | 412,872 | 405,852 |
| | Leave encashment | 123,233 | - |
| | Total | 12,724,325 | 12,462,256 |

(Amount in ₹)

| Sr. No. | Related party | 2017-18 | 2016-17 |
|---------|--|----------------|----------|
| 2) | Mr. Vijaysinh Shrimantrao Gambhire | | |
| | Salaries | 922242 | - |
| | Contribution to Provident & Superannuation | 39091 | - |
| | Total | 961,333 | - |

(Amount in ₹)

| Sr. No. | Related party | 2017-18 | 2016-17 |
|---------|--|------------------|------------------|
| 3) | Mr. Sandeep Sarkhot | | |
| | Salaries | 4,218,306 | 2,406,378 |
| | Allowances and Perquisites | 28,800 | 1,437,909 |
| | Performance bonus | 1,310,404 | - |
| | Contribution to Provident & Superannuation | 175,047 | 112,063 |
| | Total | 5,732,557 | 3,956,350 |



| (Amount in ₹) | | | |
|---------------|--|------------------|----------------|
| Sr. No. | Related party | 2017-18 | 2016-17 |
| 4) | Mr. Sunil Malik | | |
| | Salaries | 1,206,000 | 186,550 |
| | Allowances and Perquisites | - | 323,177 |
| | Contribution to Provident & Superannuation | 64,800 | 22,140 |
| | Total | 1,270,800 | 531,867 |

The remuneration of directors and other members of key managerial personnel during the year are as follows:

| (Amount in ₹) | | |
|------------------------------|-------------------|-------------------|
| Particulars | March 31, 2018 | March 31, 2017 |
| Short-term employee benefits | 19,873,972 | 16,410,418 |
| Termination benefits | 815,043 | 540,055 |
| Total | 20,689,015 | 16,950,473 |

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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.

Note 42: Segment Information

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

The Management monitors the operating results of this segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Information about products:

| (Amount in ₹) | | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2017-18 | | | 2016-17 | | |
| | Tyres | Tubes & Flaps | Total | Tyres | Tubes & Flaps | Total |
| Revenue from sale of products | 2,460,808,242 | 188,360,163 | 2,649,168,405 | 2,047,906,549 | 187,533,949 | 2,235,440,498 |

Information about geographical areas:

| (Amount in ₹) | | | | | | |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | 2017-18 | | | 2016-17 | | |
| | In India | Outside India | Total | In India | Outside India | Total |
| Revenue from sale of products | 2,095,850,785 | 553,317,620 | 2,649,168,405 | 2,072,794,753 | 162,645,745 | 2,235,440,498 |
| Non-current assets | 3,614,727,741 | - | 3,614,727,741 | 2,704,523,289 | - | 2,704,523,289 |



CEAT Specialty Tyres Limited
Notes to the financial statements for the year ended March 31, 2018

During the year 2017-18 and 2016-17, following are the external customers who has generated revenue of 10% or more of the Company's total revenue:

| Particulars | 2017-18 | | 2016-17 | |
|---------------------------------------|----------------|-------------|----------------|-------------|
| | JCB India Ltd. | Total | JCB India Ltd. | Total |
| Revenue from sale of products (Gross) | 519,543,200 | 519,543,200 | 474,999,853 | 474,999,853 |

(Amount in ₹)

Note 43: 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. 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 Foreign Currency Loan (Buyer's Credit) in US Dollar and Euro.

(Amount in foreign currency)

| Derivative | Cur | As at March 31, 2018 | | As at March 31, 2017 | | Purpose |
|---|-----|----------------------|-------------|----------------------|-------------|--|
| | | FC | ₹ | FC | ₹ | |
| Forward Contract to sell foreign Currency | USD | 1,568,539 | 102,221,687 | - | - | Hedge of Foreign Currency sales |
| | EUR | 329,491 | 26,233,342 | - | - | |
| Forward Contract to buy foreign Currency | USD | - | - | 6,066,182 | 393,427,258 | Hedge of FCNR Loan |
| | USD | 7,372,020 | 480,548,922 | 4,298,620 | 278,787,025 | Hedge of Foreign Currency Buyer's Credit |
| | EUR | 259,645 | 20,861,813 | 1,954,174 | 135,495,586 | |

(Amount in foreign currency)

| Unhedged Foreign currency Exposure | Currency | As at March 31, 2018 | As at March 31, 2017 |
|--------------------------------------|----------|----------------------|----------------------|
| Trade Payables | USD | 503,692 | - |
| | EUR | 155,460 | - |
| | GBP | 57,924 | - |
| Trade Receivables | USD | 211,980 | 300,803 |
| | EURO | 136,328 | 94,122 |
| Advances Recoverable in cash or kind | CNY | 10,282 | - |



The terms of the foreign currency forward contracts match the terms of the future transactions in respect of which firm commitments are made. As a result, no hedge ineffectiveness arise requiring recognition through profit or loss. The cash flow hedges of the hedging instruments during the year ended March 31, 2018 were assessed to be highly effective.

Gains/ losses during the year, are included in Other comprehensive income as shown in Note 35.

Note 44: 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:

| | Carrying Value | | Fair Value | |
|---|----------------------|----------------------|----------------------|----------------------|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| Financial Assets | | | | |
| At amortised cost | | | | |
| Investments | 2,579,200 | - | 2,579,200 | - |
| Loans (Non-current) | 925,000 | 975,000 | 925,000 | 975,000 |
| Other financial asset (Non-current) | 1,964,845 | 4,572,161 | 1,964,845 | 4,572,161 |
| At fair value through profit and loss | | | | |
| Current Investments | - | - | - | - |
| At fair value through other comprehensive income | | | | |
| Other financial assets (Current) | - | 10,389,281 | - | 10,389,281 |
| | 5,469,045 | 15,936,442 | 5,469,045 | 15,936,442 |
| Financial Liabilities | | | | |
| At amortised cost | | | | |
| Borrowings (Non-current) | 1,788,585,750 | 1,476,311,457 | 1,788,585,750 | 1,476,311,457 |
| At fair value through other comprehensive income | | | | |
| Other financial liabilities (Current) | - | - | - | - |
| Derivative financial instrument | 1,826,735.00 | - | 1,826,735.00 | - |
| | 1,790,412,485 | 1,476,311,457 | 1,790,412,485 | 1,476,311,457 |

The management assessed that cash and cash equivalents, trade receivables, trade payables less than 1 year, bank overdrafts, current borrowings and other current financial assets and liabilities (except derivative financial instruments, those measured at FVTOCI) 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 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 forward contracts for the purpose of hedging exposures. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The models incorporate various inputs including foreign exchange spot and forward rates



Note 45: 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:

| (Amount in ₹) | | | | |
|---|------------------------------|---|---|---|
| | Fair Value measurement using | | | |
| | Total | Quoted prices in Active markets (Level 1) | Significant Observable inputs (Level 2) | Significant Unobservable inputs (Level 3) |
| Financial Assets | | | | |
| At amortised cost | | | | |
| Loans (Non-current) | 925,000 | - | 925,000 | - |
| Other financial asset (Non-current) | 1,964,845 | - | 1,964,845 | - |
| At fair value through other comprehensive income | | | | |
| Other financial assets (Current) | - | - | - | - |
| Total Financial Assets | 2,889,845 | | 2,889,845 | - |
| Financial Liabilities | | | | |
| At amortised cost | | | | |
| Borrowings (Non-current) | 1,788,585,750 | - | 1,788,585,750 | - |
| Other financial liabilities (Current) | | | | |
| Derivative financial instrument | 1,826,735 | - | 1,826,735 | - |
| Total Financial Liabilities | 1,790,412,485 | - | 1,790,412,485 | - |

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:

| (Amount in ₹) | | | | |
|--|------------------------------|---|---|---|
| | Fair Value measurement using | | | |
| | Total | Quoted prices in Active markets (Level 1) | Significant Observable inputs (Level 2) | Significant Unobservable inputs (Level 3) |
| Financial Assets | | | | |
| At amortised cost | | | | |
| Loans (Non-current) | 975,000 | - | 975,000 | - |
| Other financial asset (Non-current) | 4,572,161 | - | 4,572,161 | - |
| At fair value through profit and loss | | | | |
| Other financial assets (Current) | 10,389,281 | - | 10,389,281 | - |
| Total Financial Assets | 15,936,442 | - | 15,936,442 | - |
| Financial Liabilities | | | | |
| At amortised cost | | | | |
| Borrowings (Non-current) | 1,476,311,457 | - | 1,476,311,457 | - |
| Total Financial Liabilities | 1,476,311,457 | - | 1,476,311,457 | - |

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



Note 46: Financial risk management objectives and policies

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

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. 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. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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 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

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.

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

(Amount in ₹)

| Particulars | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2016 |
|--------------------------|----------------------|----------------------|----------------------|
| Fixed rate borrowings | 490,000,000 | 500,000,000 | 340,000,000 |
| Floating rate borrowings | 2,289,996,485 | 1,476,311,457 | 59,810,911 |
| Total borrowings | 2,779,996,485 | 1,976,311,457 | 399,810,911 |



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:

| | Increase/decrease in basis points | (Amount in ₹) Effect on profit before tax |
|----------------|--------------------------------------|--|
| March 31, 2018 | +/- 100 bps | (22,899,964) / 22,899,964 |
| March 31, 2017 | +/- 100 bps | (14,763,115) / 14,763,115 |

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.

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).

The Company manages its foreign currency risk by derivative transactions that are expected to occur within a maximum 12 month period for foreign currency loans.

When a forward 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.

At March 31, 2018, the Company hedged 100% (March 31, 2017: 100 %) of its foreign currency loans. This foreign currency risk is hedged by using foreign currency forward contracts.

Foreign currency sensitivity

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

| | Change in Currency | (Amount in ₹) Effect on profit before tax |
|----------------------------------|--------------------|---|
| March 31, 2018 | | |
| Recognized net payables- USD | +/-1 | (291,712) / 291,712 |
| Recognized net payables- EUR | +/-1 | (19,132) / 19,132 |
| March 31, 2017 | | |
| Recognized net receivables- USD | +/-1 | 300,803 / (300,803) |
| Recognized net receivables- Euro | +/-1 | 94,122 / (94,122) |

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.



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 noninterest bearing and are generally on 30 days to 60 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored.

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 does not hold collateral as security. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically.

(Amount in ₹)

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|--------------------------|----------------------|--------------------|----------------------|--------------------|
| | Less than 180 days | More than 180 days | Less than 180 days | More than 180 days |
| Expected loss rate (%) | - | - | - | - |
| Gross carrying amount | 511,578,787 | - | 303,458,332 | - |
| Loss allowance provision | - | - | - | - |

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 of the Company's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

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.

As at March 31, 2018

(Amount in ₹)

| Particulars | <1 Year | 1-5 years | >5 years | Total |
|-------------------------------------|----------------------|--------------------|----------------------|----------------------|
| Financial Assets | | | | |
| Investments | | | 2,579,200 | 2,579,200 |
| Non-Current Loans | - | 925,000 | - | 925,000 |
| Other non-current financial assets | - | 1,964,845 | - | 1,964,845 |
| Trade receivables | 511,578,787 | - | - | 511,578,787 |
| Cash and cash equivalents | 27,807,654 | - | - | 27,807,654 |
| Current Loans | 7,834,789 | - | - | 7,834,789 |
| Other current financial assets | 327,056,689 | - | - | 327,056,689 |
| Total Financial Assets | 874,277,919 | 2,889,845 | 2,579,200 | 879,746,964 |
| Financial Liabilities | | | | |
| Non-Current Borrowings | - | 705,961,509 | 1,082,624,241 | 1,788,585,750 |
| Current Borrowings | 991,410,735 | - | - | 991,410,735 |
| Other Current Financial Liabilities | 198,864,066 | - | - | 198,864,066 |
| Trade and Other payables | 428,469,753 | - | - | 428,469,753 |
| Total Financial Liabilities | 1,618,744,554 | 705,961,509 | 1,082,624,241 | 3,407,330,304 |

As at March 31, 2017

(Amount in ₹)

| Particulars | <1 Year | 1-5 years | >5 years | Total |
|-------------------------------------|----------------------|--------------------|--------------------|----------------------|
| Financial Assets | | | | |
| Non-Current Loans | - | 975,000 | - | 975,000 |
| Other non-current financial assets | - | 4,572,161 | - | 4,572,161 |
| Trade receivables | 303,458,332 | - | - | 303,458,332 |
| Cash and cash equivalents | 60,611,818 | - | - | 60,611,818 |
| Current Loans | 5,852,508 | - | - | 5,852,508 |
| Other current financial assets | 10,389,281 | - | - | 10,389,281 |
| Total Financial Assets | 380,311,939 | 5,547,161 | - | 385,859,100 |
| Financial Liabilities | | | | |
| Non-Current Borrowings | 789,577,290 | 175,625,000 | 524,375,000 | 1,068,643,164 |
| Current Borrowings | 500,000,000 | - | - | 907,668,293 |
| Other Current Financial Liabilities | 256,023,361 | - | - | 256,023,361 |
| Trade and Other payables | 240,251,595 | - | - | 240,251,595 |
| Total Financial Liabilities | 1,785,852,246 | 175,625,000 | 524,375,000 | 2,472,586,413 |



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.

Note 47: 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 parent. 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.

| | As at March 31, 2018 | As at March 31, 2017 |
|---|-------------------------|-------------------------|
| | ₹ | ₹ |
| Current Borrowings (Note 22) | 991,410,735 | 500,000,000 |
| Non-Current Borrowings (Note 19) | 1,788,585,750 | 1,476,311,457 |
| Trade payables (Note 23) | 428,469,753 | 240,251,595 |
| Less: Cash and cash equivalents (Note 12) | (27,807,654) | (60,611,818) |
| Net debt | 3,180,658,584 | 2,155,951,234 |
| Equity (Note 17 & 18) | 1,199,986,269 | 920,666,646 |
| Capital and net debt | 4,380,644,853 | 3,076,617,880 |
| Gearing ratio | 73% | 70% |

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 48: 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 year ended March 31, 2019 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 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.

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





Sandeep Sarkhot
Chief Financial Officer

Sunil Malik
Company Secretary

**For and on behalf of Board of Directors of
CEAT Specialty Tyres Limited**



Vijay Gambhire
Managing Director
DIN: 08077671



Arnab Banerjee
Director
DIN: 06559516

Place: Mumbai

Date: April 30, 2018

