INDEPENDENT AUDITOR'S REPORT

To the Members of CEAT Specialty Tyres Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of CEAT Specialty Tyres Limited ("the Company"), which comprise the Balance sheet as at March 31 2020, 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 notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2020, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Emphasis of Matter

We draw attention to note 48 of the standalone Ind AS financial statements, which states the impact of Coronavirus disease - 2019 (COVID-19) on the operations of the Company. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	**Auditor's Response**
Significant estimates and judgment relating to Capitalisation of property, plant and equipment (refer note 2.8 (accounting policy), note 3 (financial disclosures) to the Ind AS financial statements)	
As a part of expansion plan, the Company has incurred capital expenditure at Ambernath plant. The capital expenditure requires consideration of the nature of costs incurred to ensure that capitalization of property, plant and equipment meets the specific recognition criteria under Ind AS 16, 'Property, Plant and Equipment' and also judgement is involved in assigning appropriate useful economic lives to respective assets. As a result, this was noted as a key audit matter, considering the significance of amounts involved. As disclosed in Note 3 to the standalone Ind AS financial statements, as at March 31, 2020 the carrying value of property, plant and equipment including capital work-in-progress was Rs. 4,05,47,75,759 and the additions during the year were Rs. 91,03,96,799.	Our audit procedures included the following: • We examined the nature of property, plant and equipment capitalised by the Company to verify that the assets capitalised meets the recognition criteria set out in Ind AS 16. • We evaluated and tested the design effectiveness and operating effectiveness of internal controls with respect to the capitalisation of property plant and equipment; • We examined the useful economic lives and residual value assigned to assets capitalized during the year with reference to the Company's historical experience and technical evaluation, and our understanding of the Company's business. • We compared the capitalizations during the year to approved budgets; • We assessed the adequacy of disclosures in the standalone Ind AS financial statements relating to capitalisation of property, plant and equipment.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report including Annexures to Board Report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 purposes 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, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

   (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

   (h) 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, as amended 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 has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 22 and Note 49 to the standalone Ind AS financial statements;

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 Pujare
Partner
Membership Number: 101143
UDIN: 20101143AAAAAT4462
Place of Signature: Mumbai
Date: May 28, 2020

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, 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 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.

(ix) In our opinion and according to the information and explanations given by the management, the term loans were applied for the purpose for which the loans were obtained.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and hence, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number: 101143
UDIN: 20101143AAAAAT4462
Place: Mumbai
Date: May 28, 2020

Annexure 2 to the Independent Auditor's report of even date on the standalone Ind AS 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, 2020 in conjunction with our audit of the standalone Ind AS 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 with reference to these standalone Ind AS financial statements 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 with reference to these standalone financial statements 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 over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone financial statements, 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 over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements 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 with reference to these standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Standalone Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone financial statements, 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 with reference to these standalone financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone financial statements 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, adequate internal financial controls over financial reporting with reference to these standalone financial statements and such internal financial controls over financial reporting with reference to these standalone financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vinayak Pujare
Partner
Membership Number: 101143
UDIN: 20101143AAAAAT4462
Place of Signature: Mumbai
Date: May 28, 2020

CEAT Specialty Tyres Limited

Balance sheet as at March 31, 2020 **(Amount in ₹)**

Particulars	**Note No.**	**As at March 31, 2020**	**As at March 31, 2019**
I Assets			
(1) Non-current assets			
(a) Property, plant and equipment	3	3,383,927,761	3,319,705,749
(b) Capital work-in-progress	3	670,847,998	207,194,365
(c) Intangible assets	4	165,761,084	164,589,772
(d) Intangible assets under development	4	8,867,283	7,729,410
(e) Financial Assets:			
(i) Investments	5	6,570,089	6,570,089
(ii) Other financial assets	6	1,351,277	206,085
(f) Deferred tax assets (net)	7	-	-
(g) Non-current tax assets (net)	8	68,782	130,752
(h) Other non-current assets	9	231,006,695	89,124,877
Total non-current assets		**4,468,400,969**	**3,795,251,099**
(2) Current assets			
(a) Inventories	10	293,790,173	312,563,229
(b) Financial assets			
(i) Trade receivables	11	623,266,900	538,581,946
(ii) Cash and cash equivalents	12	22,785,430	17,080,582
(iii) Bank balances other than cash and cash equivalent	12A	457,298	1,496,202
(iv) Loans	13	5,664,513	3,766,797
(v) Other financial assets	14	-	4,568,651
(c) Other current assets	15	341,919,620	463,664,920
Total current assets		**1,287,883,934**	**1,341,722,327**
Total assets		**5,756,284,903**	**5,136,973,426**
II Equity and liabilities			
(1) Equity			
(a) Equity share capital	16	210,500,000	210,500,000
(b) Other equity	17	357,300,453	798,705,268
Total equity		**567,800,453**	**1,009,205,268**
(2) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	18	2,387,853,808	2,199,113,375
(b) Provisions	19	38,109,521	13,871,422
Total non-current liabilities		**2,425,963,329**	**2,212,984,797**
(3) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	20	1,003,181,000	580,000,000
(ii) Trade payables	21		
-Total Outstanding dues of micro enterprises and small enterprises		1,600,312	3,043,658
-Total Outstanding dues of creditors Other than micro enterprises and small enterprises		1,312,467,019	985,567,567
(iii) Other financial liabilities	22	427,554,730	302,067,253
(b) Provisions	19	4,480,339	9,514,464
(c) Other current liabilities	23	13,237,721	34,590,419
Total current liabilities		**2,762,521,121**	**1,914,783,361**
Total equity and liabilities		**5,756,284,903**	**5,136,973,426**
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: May 28, 2020

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

Anant Vardhan Goenka
Chairman

Vijay Gambhire
Managing Director

Hassan Hashmi
Chief Financial Officer
Place: Mumbai
Date: May 27, 2020

Amit Dodani
Company Secretary

CEAT Specialty Tyres Limited

Statement of Profit and Loss for the year ended March 31, 2020 **(Amount in ₹)**

	Particulars	Note No.	2019-20	2018-19
I	**Income:**			
	Revenue from operations	24	3,771,517,651	3,679,181,073
	Other Income	25	9,884,715	6,416,643
	Total Income		**3,781,402,366**	**3,685,597,716**
II	**Expenses:**			
	Cost of Raw materials consumed	26	628,342,815	396,664,932
	Purchase of stock-in-trade	27	2,109,307,684	2,479,691,342
	Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	(6,472,777)	(66,625,364)
	Employee benefit expense	29	335,488,785	310,346,031
	Finance costs	30	317,477,118	283,829,397
	Depreciation and amortization expenses	31	218,225,152	183,402,671
	Other expenses	32	652,522,640	554,831,139
	Total expenses		**4,254,891,417**	**4,142,140,148**
III	**Loss before exceptional item and tax**		**(473,489,051)**	**(456,542,432)**
IV	**Exceptional Item**	33	**(890,734)**	**(5,443,589)**
V	**Loss before tax**		**(474,379,785)**	**(461,986,021)**
VI	**Tax expense:**	7	-	-
	Current tax			
	Deferred tax			
VII	**Loss for the year**		**(474,379,785)**	**(461,986,021)**
VIII	**Other Comprehensive Income**			
	Items that will not be reclassified subsequently to statement of profit and loss			
	Remeasurement losses on defined benefit plans	37	(2,991,844)	5,423,099
	Items that will be reclassified subsequently to the statement of profit and loss			
	Net movement on cash flow hedges		35,966,814	(34,218,080)
IX	**Total Comprehensive Income for the year (Comprising Loss and Other Comprehensive Income for the year)**		**(441,404,815)**	**(490,781,002)**
X	**Earnings per equity share (of ₹ 10 each)**	35		
	Basic (in ₹)		(22.54)	(23.17)
	Diluted (in ₹)		(22.54)	(23.17)
	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: May 28, 2020

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

Anant Vardhan Goenka
Chairman

Vijay Gambhire
Managing Director

Hassan Hashmi
Chief Financial Officer

Amit Dodani
Company Secretary

Place: Mumbai
Date: May 27, 2020

CEAT Specialty Tyres Limited

Statement of Changes in Equity for the year ended March 31, 2020

a. Equity share capital:

(Amount in ₹)

Particulars	**Nos.**	**Amount**
Equity shares of ₹ 10 each issued, subscribed and fully paid		
As at March 31, 2018	**18,050,000**	**180,500,000**
Issue of share capital	3,000,000	30,000,000
As at March 31, 2019	**21,050,000**	**210,500,000**
As at March 31, 2020	**21,050,000**	**210,500,000**

b. Other equity

(Amount in ₹)

Particulars	**Reserves & Surplus**		**Items of OCI**	**Total**
	Securities premium (refer note 17) (a)	**Retained earnings (refer note 17) (c)**	**Cash Flow Hedge Reserve (refer note 17) (b)**	
As at March 31, 2018	**1,620,000,000**	**(600,280,825)**	**(232,905)**	**1,019,486,270**
Loss for the year	-	(461,986,021)	-	(461,986,021)
Other comprehensive income	-	5,423,099	(34,218,080)	(28,794,981)
Total comprehensive income	1,620,000,000	(1,056,843,747)	(34,450,985)	528,705,268
Add : Issue of share capital	270,000,000	-	-	270,000,000
As at March 31, 2019	**1,890,000,000**	**(1,056,843,747)**	**(34,450,985)**	**798,705,268**
Loss for the year		(474,379,785)		(474,379,785)
Other comprehensive income		(2,991,844)	35,966,814	32,974,970
Total comprehensive income	**1,890,000,000**	**(1,534,215,376)**	**1,515,829**	**357,300,453**
As at March 31, 2020	**1,890,000,000**	**(1,534,215,376)**	**1,515,829**	**357,300,453**

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: May 28, 2020

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

Anant Vardhan Goenka
Chairman

Vijay Gambhire
Managing Director

Hassan Hashmi
Chief Financial Officer

Amit Dodani
Company Secretary

Place: Mumbai
Date: May 27, 2020

CEAT Specialty Tyres Limited

Statement of Cash Flows for the year ended March 31, 2020 **(Amount in ₹)**

Particulars	**2019-20**	**2018-19**
A) CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	**(474,379,785)**	**(461,986,021)**
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation and amortization expenses	218,225,152	183,402,671
Interest income	(85,412)	(1,815,095)
Finance costs	317,477,118	283,829,397
Allowance for doubtful debts	4,916,624	5,375,665
Unrealised foreign exchange (gain) / loss (net)	(4,515,065)	2,257,439
Loss/ (profit) on sale of Property, Plant and Equipment	-	412,721
Finance costs(Refer note 33)	890,734	-
Operating loss before working capital changes	62,529,366	11,476,777
Adjustments for :		
(Increase)/decrease in inventories	18,773,056	(119,626,027)
(Increase)/decrease in trade receivables	(76,894,122)	(33,028,227)
(Increase)/decrease in current loans, other current assets and other financial assets	124,416,235	(136,183,890)
(Increase)/decrease in non-current loans and other non-current assets	616,082	21,826
Increase/(decrease) in trade payables	324,481,395	558,831,816
Increase/(decrease) in other current liabilities	(21,352,698)	12,238,680
Increase/(decrease) in other current financial liabilities	(2,443,228)	69,270,965
Increase/(decrease) in non-current and current provisions	16,212,130	16,901,368
Cash flows from operating activities	**446,338,216**	**379,903,288**
Direct taxes paid(net of refunds)	61,970	(47,259)
Net cash flow generated from operating activities (A)	**446,400,186**	**379,856,029**
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets (including capital work-in-progress,intangible assets under development and capital advance)	(897,784,172)	(440,502,848)
Proceeds from sale of property, plant and equipment	-	1,715,389
Withdrawal/(Investment) of margin money deposit with banks	(1,157,828)	1,092,892
Investment in Subsidiaries	-	(3,990,889)
Changes in other Bank balances	1,038,904	(1,496,202)
Interest received	98,049	2,480,962
Net cash flows (used in) investing activities (B)	**(897,805,047)**	**(440,700,695)**
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	416,740,433	487,027,625
Repayment of long-term borrowings	(76,500,000)	-
Change in short-term borrowings (net)	423,181,000	90,000,000
Proceeds from short-term buyers credit	-	(501,410,740)
Proceeds from issuance of equity share capital (including share premium)	-	300,000,000
Interest paid	(306,311,724)	(325,499,291)
Net cash flows generated from financing activities (C)	**457,109,709**	**50,117,594**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	**5,704,848**	**(10,727,072)**
Cash and cash equivalents at the beginning of the year (Refer note 12)	**17,080,582**	**27,807,654**
Cash and cash equivalents at the end of the year (Refer note 12)	**22,785,430**	**17,080,582**

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: May 28, 2020

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

Anant Vardhan Goenka
Chairman

Vijay Gambhire
Managing Director

Hassan Hashmi
Chief Financial Officer

Amit Dodani
Company Secretary

Place: Mumbai
Date: May 27, 2020

CEAT Specialty Tyres Limited

Notes to the financial statements for the year ended March 31, 2020

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. The financial statements for the year ended March 31, 2020 were approved by the Board of Directors on May 27, 2020.

Note 2: Basis of Preparation and Summary of significant accounting policies:

2.1 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. (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (IND AS compliant Schedule III).

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

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

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

2.2 Changes in accounting policies

2.2.1 Accounting for leases

The Company has adopted Ind AS 116 'Leases' effective April 1, 2019, using modified retrospective method. The Company has applied the standard to all its leases with the cumulative impact recognized on the date of initial application i.e. April 1, 2019.

In the context of initial application, the Company has exercised the option not to apply the new recognition requirements to short-term leases and to leases of low-value asset. The application of Ind AS 116 did not have any material impact on the financial statement.

2.3 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.

2.4 Revenue recognition

a. Revenue from contract with customer

Revenues from contracts with customers are recognised when the performance obligations towards customer have been met. Performance obligations are deemed to have been met when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company acts as 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.

An entity collects Goods and Services Tax ("GST") collected on behalf of the government and not on its own account. Hence it should be excluded from revenue, i.e. revenue should be net of GST.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 24.

Sale of Goods:

Revenue from sale of goods (Tyres, tubes and flaps) is recognised at a point in time when control of the goods is transferred to customer depending on terms of sales. The normal credit term is 27 to 60 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, if any.

i) Variable consideration

The Company offers various forms of discounts on the goods sold to its dealers and distributors. In all such cases, accumulated experience is used to estimate and provide for the variability in revenue, using the expected value method and the revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future on account of refund or discounts.

Variable consideration includes volume discounts, price concessions, incentives, etc. The Company estimates the variable consideration based on an analysis of historical experience and it is adjusted from transaction price.

ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Sales related obligation

The Company normally provides warranty provisions for a period of three years on all its products sold, in line with industry practice. These warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 19 for more information. The Company does not provide any extended warranties to its customers.

Contract balances:

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 15 financial instruments – initial recognition and subsequent measurement.

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:

Dividend income is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.5 Government grants, subsidies and export incentives:

Government grants / subsidies are recognised when there is reasonable assurance that the Company will comply with all the conditions attached to them and that the grant / subsidy will be received. 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.

The Company has chosen to adjust grant under the Export Promotion Capital Goods ('EPCG') scheme from the carrying value of non-monetary asset pursuant to amendment in Ind AS 20.

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

2.6 Investments in subsidiaries:

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

2.7 Taxes

Current income tax

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

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

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss

- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

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

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

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

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

GST paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of GST paid, except:

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

- When receivables and payables are stated with the amount of tax included

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

2.8 Property, plant and equipment

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

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	6 years

Check for Useful life of Assets any technical assessment

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

Factory buildings - 50 years (Lower than those indicated in Schedule II of the Companies Act, 2013)

Plant & Machinery – 20 years (Higher than those indicated in Schedule II of the Companies Act, 2013)

Moulds – 6 years (Lower than those indicated in Schedule II of the Companies Act,2013)

Vehicles – 6 years (Lower than those indicated in Schedule II of the Companies Act,2013)

Electrical Installations – 20 years (Higher than those indicated in Schedule II of the Companies Act,2013)

Serviceable materials like trollies, iron storage tacks skids – 15 years (Higher than those indicated in Schedule II of the Companies Act,2013)

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

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

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

2.9 Intangible assets

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

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

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

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

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

Intangible assets are amortised on straight line method as under:

- Software expenditure have been amortised over a period of three years.

Research and development costs (Product development)

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

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

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

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

2.10 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.

2.11 Leases

The company has entered into lease arrangements which has been disclosed accordingly under Ind AS 116.At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The assessment of whether a contract conveys the right to control the use of an identified asset depends on whether the Company obtains substantially all the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset.

2.11.1 Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.11.2 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to the contracts which have a lease term of 12 months or less from the date of commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to the lease contracts that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.12 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.

- Work-in-progress and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing cost. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

- Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

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

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

2.13 Impairment of non-financial assets

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

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

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

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

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

2.14 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.

Provision for sales related obligations

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

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

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

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

2.16 Financial instruments

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

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

Debt instruments at amortised cost

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

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

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

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

Debt instrument at FVTOCI

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

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

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

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

Debt instrument at FVTPL

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

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

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

Equity investments

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit and loss

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

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

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition

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

Reclassification of financial assets

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

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

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

Offsetting of financial instruments

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

2.17 Derivative financial instruments

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

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

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

2.18 Fair value measurement

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

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

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

2.19 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.

2.20 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.

2.21 Foreign currencies:

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

Transactions in foreign currencies are initially recorded by the Company at INR 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).

2.22 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.

2.23 Segment Reporting

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

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

2.24 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 asset 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.

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2020

Note 3: Property, plant and equipment and capital work-in-progress
Refer note 2.8 for accounting policy on Property ,plant and equipment

(Amount in ₹)

Particulars	Leasehold land	Buidings	Plant and equipment (Refer note 1 below)	Furniture and fixtures	Vehicles	Office equipments	Capital work-in-progress	Total
Gross Carrying amount								
As at April 1, 2018	656,941,970	437,652,607	1,325,361,680	1,148,263	6,025,459	458,993	926,531,468	3,354,120,440
Additions	-	297,497,167	786,406,484	1,133,481	-	442,681	366,142,710	1,451,622,523
Transfers/Capitalised	-	-	-	-			(1,085,479,813)	(1,085,479,813)
Disposals	-	-	-	-	(2,610,927)		-	(2,610,927)
As at Mar 31, 2019	656,941,970	735,149,774	2,111,768,164	2,281,744	3,414,532	901,674	207,194,365	3,717,652,223
Additions	-	52,401,336	166,630,300	400,675	-	3,939,272	687,025,216	910,396,799
Transfers/Capitalised	-	-	-				(223,371,583)	(223,371,583)
Disposals								-
As at Mar 31, 2020	656,941,970	787,551,110	2,278,398,464	2,682,419	3,414,532	4,840,946	670,847,998	4,404,677,439
Accumulated Depreciation								
As at April 1, 2018	13,467,949	4,481,314	36,511,086	61,589	716,177	153,257	-	55,391,372
Depreciation charge for the year	6,948,964	13,771,283	116,585,635	212,337	230,303	169,417	-	137,917,939
Disposals					(482,821)			(482,821)
Adjustments			(2,074,381)					(2,074,381)
As at Mar 31, 2019	20,416,913	18,252,597	151,022,340	273,926	463,659	322,674	-	190,752,109
Depreciation charge for the year	6,590,371	14,601,193	136,102,213	231,444	850,434	773,916	-	159,149,571
Disposals								-
As at Mar 31, 2020	27,007,284	32,853,790	287,124,553	505,370	1,314,093	1,096,590	-	349,901,680
Net Book Value								
As at Mar 31, 2019	**636,525,057**	**716,897,177**	**1,960,745,824**	**2,007,818**	**2,950,873**	**579,000**	**207,194,365**	**3,526,900,114**
As at Mar 31, 2020	**629,934,686**	**754,697,320**	**1,991,273,911**	**2,177,049**	**2,100,439**	**3,744,356**	**670,847,998**	**4,054,775,759**

Net Book Value

(Amount in ₹)

	As at Mar 31, 2020	**As at Mar 31, 2019**
Property, plant and equipment	3,383,927,761	3,319,705,749
Capital work in progress	670,847,998	207,194,365

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 2019-20**	**FY 2018-19**
Employee benefit expense	9,023,143	9,207,356
Finance costs	24,084,551	6,769,755
Professional and consultancy charges	7,073,077	7,650,000
Other expenses	2,598,651	303,620
Total	**42,779,422**	**23,930,731**

2.Refer Note 18 and Note 20 for details on pledges and securities
3. The amount of borrowing cost capitalized during the year ended March 31,2020 was INR 24,084,551 (March 31,2019 INR 67,69,755).The rates used to determine the amount of borrowing cost eligible for capitalisation was in range of 8.18% to 8.75% which is the effective interest rate of specific borrowings.

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2020

Note 4: Intangible assets and Intangible Assets under development
Refer note 2.9 for accounting policy on Intangible assets

(Amount in ₹)

Particulars	Software	Product Development (Refer note 1 below)	Intangible assets under development	Total
Gross Carrying Amount				
As at April 1, 2018	21,900,122	151,226,259	6,149,350	179,275,731
Additions	3,536,417	59,136,864	60,716,924	123,390,205
Transferred	-		(59,136,864)	(59,136,864)
As at Mar 31, 2019	25,436,539	210,363,123	7,729,410	243,529,072
Additions	4,585,099	55,661,563	56,799,436	117,046,098
Transferred	-		(55,661,563)	(55,661,563)
As at Mar 31, 2020	30,021,638	266,024,686	8,867,283	304,913,607
Amortization				
As at April 1, 2018	11,306,874	14,418,284	-	25,725,158
Additions	6,756,108	38,728,624	-	45,484,732
As at Mar 31, 2019	18,062,982	53,146,908	-	71,209,890
Additions	3,717,758	55,357,592		59,075,350
As at Mar 31, 2020	21,780,740	108,504,500		130,285,240
Net Book Value				
As at Mar 31, 2019	**7,373,557**	**157,216,215**	**7,729,410**	**172,319,182**
As at Mar 31, 2020	**8,240,898**	**157,520,186**	**8,867,283**	**174,628,367**

Net Book Value (Amount in ₹)

Particulars	**Mar 31, 2020**	**Mar 31, 2019**
Intangible assets	165,761,084	164,589,772
Intangible assets under development	8,867,283	7,729,410
Net book value	**174,628,367**	**172,319,182**

1.During the year, the Company has transferred the following expenses which are attributable to Product Development. Consequently, expenses disclosed under the respective notes are net of such amounts.

(Amount in ₹)

Particulars	**FY 2019-20**	**FY 2018-19**
Employee benefit expense	39,110,947	36,066,934
Professional and consultancy charges	-	300,000
Total	**39,110,947**	**36,366,934**

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2020

Note 5: Investments
Refer note 2.16 for accounting policy on Financial instruments

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Non Current		
Unquoted equity shares (at cost) (Non-trade)		
Investment in Subsidiaries		
400 (March 31, 2019 : 400) equity shares of CEAT Specialty Tires INC. (Face value : USD 1 each)	2,579,200	2,579,200
5000 (March 31, 2019 : 5000) equity shares of CEAT Specialty Tyres BV (Face value : EURO 1 each)	3,990,889	3,990,889
	6,570,089	**6,570,089**
Aggregate amount of quoted investments	-	-
Aggregate Market value of quoted investments	-	-
Aggregate amount of unquoted investments	**6,570,089**	**6,570,089**

Information about subsidiaries

	Proportion(%) of equity interest	
Name,Country of Incorporation and principal business	**As at Mar 31, 2020**	**As at Mar 31, 2019**
CEAT Specialty Tires INC.,United States of America-Marketing Support Services	100%	100%
CEAT Specialty Tyres BV,Netherlands-Marketing Support Services	100%	100%

Note:
(a)Refer note 45 (d) for information about liquidity risk related to investments

Note 6: Other financial assets
Refer note 2.16 for accounting policy on Financial instruments

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Non current		
Unsecured, considered good		
At amortised cost		
Margin money deposits	1,351,277	193,448
Interest receivable	-	12,637
Total	**1,351,277**	**206,085**

*The margin money deposits are for bank guarantees given to statutory authorities.
(a)Refer note 45 (d) for information about liquidity risk related to other financial assets

Note 7: Deferred tax assets (net)
Refer note 2.7 for accounting policy on Taxes

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Major components of deferred tax assets and deferred tax liabilities:		
Deferred tax assets		
Business losses*	280,286,597	207,867,532
Deferred tax liabilities		
Property, plant and equipment: impact of difference between tax depreciation and depreciation/amortisation for the financial reporting	280,286,597	207,867,532
Deferred tax assets (net)	-	-

* Deferred Tax assets on business losses has been restricted to the extent of deferred tax liabilities.
In view of the requirements of Ind AS 12 "Income Taxes", the deferred tax asset as at March 31, 2020 is not recognised to the extent that it is not probable that taxable profit will be available against which the unused tax losses can be utilised.

Note 8: Non Current tax assets (net)
Refer note 2.7 for accounting policy on Taxes

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Advance payment of tax (net)	68,782	130,752
Non Current tax assets (net)	**68,782**	**130,752**

Note 9: Other non-current assets

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Unsecured, considered good :		
Capital advances	229,841,476	87,343,576
Prepaid Expense	1,139,219	1,755,301
Security Deposit	1,000	1,000
Balance with government authorities	25,000	25,000
Total	**231,006,695**	**89,124,877**

Note 10: Inventories
Refer note 2.12 for accounting policy on Inventories

		(Amount in ₹)
(At cost or net realisable value, whichever is lower)	**As at Mar 31, 2020**	**As at Mar 31, 2019**
a) Raw materials	41,996,555	61,978,532
Goods in transit - Raw Material	13,826,622	13,652,113
b) Work-in-progress	6,960,928	6,959,729
c) Finished goods	31,226,288	12,607,165
d) Stock in Trade	190,380,513	202,528,057
b) Stores and Spares	9,399,267	14,837,633
Total	**293,790,173**	**312,563,229**

Details of finished goods	**As at Mar 31, 2020**	**As at Mar 31, 2019**
Automotive tyres	31,226,288	12,607,165
Total	**31,226,288**	**12,607,165**

Notes:

1) Cost of inventory recognised as an expense as at March 31, 2020 includes ₹ 1,59,36,150 (March 31, 2019 ₹ 26,94,453) of write down in net realisable value with respect to slow moving stock as per Company's policy.

2) Loans are secured by first pari passu charge on stock (includes raw materials, finished goods and work in progress) (refer note 18)

Note 11: Trade receivables

Refer note 2.16 for accounting policy on Financial instruments

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Trade receivables	623,266,900	538,581,946
Trade receivables from related parties (refer note-40)	-	-
Total receivables	**623,266,900**	**538,581,946**

Break-up for security details:		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Secured, Considered good*	51,444,191	60,540,456
Unsecured, Considered good	571,822,709	478,041,490
Doubtful	10,292,289	5,375,665
Total	**633,559,189**	543,957,611
Allowance for doubtful trade receivables	(10,292,289)	(5,375,665)
Total trade receivables	623,266,900	538,581,946

		(Amount in ₹)
Particulars	**As at Mar 31, 2020**	**As at Mar 31, 2019**
The movement in allowance for doubtful debt is as follows :		
Balance as at beginning of the year	5,375,665	-
Change in allowance for doubtful debts during the year	4,916,624	5,375,665
Balance as at end of the year	10,292,289	5,375,665

Notes:

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

- No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

- Trade receivables are non-interest bearing and are generally on terms of 27 to 60 days.

-Refer note 45 (c) for information about credit risk of Trade receivables.

Note 12: Cash and cash equivalents

Refer note 2.19 for accounting policy on Cash and cash equivalents		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Balances with Banks		
- On current Accounts	22,504,632	17,016,840
Cash on hand	280,798	63,742
Cash and cash equivalent as per statement of cash flow	**22,785,430**	**17,080,582**

Changes in liabilities arising out of financing activites

		(Amount in ₹)
Particulars	**Current borrowings**	**Non current borrowings***
As at April 1, 2018	991,410,735	1,788,585,750
Cash Flows	(411,410,735)	487,027,625
As at March 31, 2019	**580,000,000**	**2,275,613,375**
As at April 1, 2019	580,000,000	2,275,613,375
Cash Flows	423,181,000	340,240,433
As at March 31, 2020	**1,003,181,000**	**2,615,853,808**

*includes current maturities of Non Current borrowings

Notes:

Refer note 45(d) for information about liquidity risk related to cash and cash equivalents

Note 12A : Bank balances other than cash and cash equivalents		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Deposits with original Maturity of more than 3 months but remaining maturity of less than 12 months	457,298	1,496,202
	457,298	**1,496,202**

Note 13: Loans		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Current (at amortised cost)		
Unsecured, Considered Good:		
Advance receivable in cash	5,239,513	3,311,597
Security Deposits	425,000	455,200
Total	**5,664,513**	**3,766,797**

Note 14: Other financial assets

Refer note 2.16 for accounting policy on Financial instruments		**(Amount in ₹)**
Unsecured, considered good	**As at Mar 31, 2020**	**As at Mar 31, 2019**
(At amortised cost)		
Gratuity Plan Asset (refer note-37)	-	2,017,145
Other Receivable	-	2,551,506
Total	**-**	**4,568,651**

Note 15: Other current assets		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Unsecured, considered good		
Advance receivable in kind or for value to be received	13,521,130	19,135,529
Reimbursement towards warranty provision from related party (Refer Note -40)	19,097,090	7,408,994
Balance with government authorities	297,759,961	430,093,295
Advance to employees	2,442,781	2,146,896
Prepaid expense	9,098,658	4,880,206
Total	**341,919,620**	**463,664,920**

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2019

Note 16: Equity share capital

Authorised share capital	**Equity shares**	
	Numbers	**₹**
As at March 31, 2018	29,050,000	290,500,000
Increase / (decrease) during the year	-	-
As at March 31, 2019	29,050,000	290,500,000
Increase / (decrease) during the year	-	-
As at March 31, 2020	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 March 31, 2018	18,050,000	180,500,000
Allotted during the year	3,000,000	30,000,000
As at March 31, 2019	21,050,000	210,500,000
Allotted during the year	-	-
As at March 31, 2020	21,050,000	210,500,000

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, 2020**		**As at March 31, 2019**	
	Numbers	**% holding in the class**	**Numbers**	**% holding in the class**
Equity shares of ₹ 10 each fully paid				
CEAT Ltd and its nominees	21,050,000	100.00%	21,050,000	100.00%

Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Name of the shareholders	**As at March 31, 2020**		**As at March 31, 2019**	
	Numbers	**% holding in the class**	**Numbers**	**% holding in the class**
Equity shares of ₹ 10 each fully paid				
CEAT Ltd and its nominees	21,050,000	100.00%	21,050,000	100.00%

Note 17: Other equity

	As at March 31, 2020	As at March 31, 2019
		(Amount in ₹)
Securities premium reserve (refer foot note a)	1,890,000,000	1,890,000,000
Cash flow hedge reserve (refer foot note b)	1,515,829	(34,450,985)
Retained earnings (refer foot note c)	(1,534,215,376)	(1,056,843,747)
Total	**357,300,453**	**798,705,268**

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 March 31, 2018	1,620,000,000
Premium on equity shares issued during the year	270,000,000
As at March 31, 2019	1,890,000,000
As at March 31, 2020	**1,890,000,000**

b) Cash flow hedge reserve

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

	₹
As at March 31, 2018	(232,905)
Gain/(Loss) arising during the year	(34,218,080)
As at March 31, 2019	(34,450,985)
Gain/(Loss) arising during the year	35,966,814
As at March 31, 2020	**1,515,829**

c) Retained earnings

	₹
As at March 31, 2018	**(600,280,825)**
Loss for the year	(461,986,021)
Other comprehensive income	5,423,099
As at March 31, 2019	**(1,056,843,747)**
Loss for the year	(474,379,785)
Other comprehensive income	(2,991,844)
As at March 31, 2020	**(1,534,215,376)**

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2020

Note 18: Borrowings
(At amortised cost)
Refer note 2.16 accounting policies on financial instruments

(Amount in ₹)

	Non-current		Current	
	As at Mar 31, 2020	As at Mar 31, 2019	As at Mar 31, 2020	As at Mar 31, 2019
Interest bearing loans and borrowings:				
I. Secured:				
i) Term loans				
a) Indian rupee loan from banks				
ICICI Bank Ltd. (refer foot note 1 & 4)	1,308,728,502	1,458,113,375	150,000,000	37,500,000
SVC Bank Ltd. (refer foot note 2 & 4)	663,000,000	741,000,000	78,000,000	39,000,000
HSBC Bank Ltd. (refer foot note 3 & 4)	416,125,306	-	-	
	2,387,853,808	**2,199,113,375**	**228,000,000**	**76,500,000**
Less: amount classified under other financial liabilities (refer note 22)	-	-	(228,000,000)	(76,500,000)
Total	**2,387,853,808**	**2,199,113,375**	**-**	**-**

1. Term Loan from ICICI Bank of Rs 1,462,500,000 (March 31, 2019: Rs 1,500,000,000) 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 of the Borrower.The loan is guaranteed by corporate guarantee from the Holding Company.It 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
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	13.12%	

2. Term Loan from SVC Bank of Rs 740,000,000 (March 31, 2019: Rs 780,000,000) 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 of the Borrower.The loan is guaranteed by corporate guarantee from the Holding Company.It 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.
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. Term Loan from HSBC Bank of Rs 41,61,25,306 (March 31, 2019: NIL) is secured first pari passu charge over all the fixed assets of the Company at Ambernath Plant. The loan is guaranteed by corporate guarantee from the Holding Company. The company is in process of creating security against the loan availed from HSBC Bank.
It is repayable as under:

Year	% of loan	Schedule of repayment
2021-22	6.36%	To be repaid in 12 structured quarterly instalments, commencing Sep 2021.
2022-23	25.10%	
2023-24	39.13%	
2024-25	29.41%	

Note: Indian rupee term loan from banks, carries floating interest rate ranging from 8.20% p.a. to 9.10% p.a.

4. Outstanding balances shown in foot notes above, are grossed up to the extent of unamortized transaction cost.
5. Refer note 43 of information about fair value measurement and note 44(d) for information about liquidity risk relates to borrowings

Note 19: Provisions
Refer note 2.14 for accounting policy on Provisions

(Amount in ₹)

	As at Mar 31, 2020	As at Mar 31, 2019
Non-current provisions		
Provision for sales related obligation (Refer foot note a)	26,422,356	9,164,795
Provision for gratuity (Refer to note -37)	4,740,874	-
Provision for compensated absences (Refer to note -37)	6,946,291	4,706,627
Total	**38,109,521**	**13,871,422**

Ceat Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2020

Current provisions		
Provision for sales related obligation (Refer foot note a)	3,127,531	3,054,932
Provision for compensated absences (Refer foot note b)	1,352,808	1,015,943
Provision for indirect tax matter (Refer foot note c)	-	5,443,589
Total	**4,480,339**	**9,514,464**

a) Provision for sales related obligation:
A provision is recognized for expected sales related 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 sales related obligation were used on current sales level and current information available about returns and claims received for all products sold.

Movement in provision for sales related obligation:		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
As at the beginning of the year	12,219,727	5,599,781
Additions during the year	20,457,691	14,066,223
Utilised during the year	(3,127,531)	(7,446,277)
As at the end of the year	**29,549,887**	**12,219,727**

The reimbursement receivable amounting to ₹ 1,90,97,090 (March 31, 2019: ₹ 74,08,994) in respect of the sales related obligation provision has been recognized as an asset, in accordance with Company's accounting policy, and included under other current assets in Note 15.

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

Movement in provision for compensated absences:		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
As at the beginning of the year	5,722,570	5,355,142
Additions during the year	3,710,592	1,072,020
Utilised during the year	(1,134,063)	(704,592)
As at the end of the year	**8,299,099**	**5,722,570**

c) Provision for Litigations

The Company records a provision when the risk or loss is considered probable. The outflow is expected on cessation of the respective event. The provision pertains to differential amount of Goods and Service Tax attributable to the composite supply of Tyres and Tubes for the period from November 15, 2017 to January 11, 2019, aggregating to Rs 54,43,589 lacs.

Movement in provision for Litigations:		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
As at the beginning of the year	5,443,589	-
Additions during the year		5,443,589
Utilised during the year	(5,443,589)	-
As at the end of the year	**-**	**5,443,589**

Note 20: Borrowings		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Unsecured		
HSBC Bank Ltd	500,000,000	-
Inter corporate deposit from related party (refer note (a))	503,181,000	580,000,000
Total	**1,003,181,000**	**580,000,000**

Notes:
a)Pertains to working capital loan availed from HSBC Bank Ltd carrying interest rate in the range of 8.20% p.a. to 8.75 % p.a. with reference to the then prevalent Bank MCLR of the appropriate tenor.
b) The Inter corporate deposit taken from Ceat Ltd is ₹ 50,31,81,000 as on March 31, 2020 (March 31, 2019: ₹ 58,00,00,000). The rate of interest on loan of ₹ 34,00,00,000 is in the range of 8.20% p.a. to 8.75% p.a. and on loan of ₹ 16,31,81,000 is in the range of 8.20% p.a. to 10.40% p.a.
c) Refer note 45 (d) for information about liquidity risk relating to borrowings.

Note 21: Trade payables

Refer note 2.16 for accounting policy on Financial instruments		**(Amount in ₹)**
	As at Mar 31, 2020	**As at Mar 31, 2019**
Trade Payables		
Dues to micro and small enterprises (Refer footnote)		
Overdue	-	1,007,200
Not due	1,600,312	2,036,458
Trade payables (others)	268,844,008	251,756,378
Trade payable to related parties *	1,043,623,011	733,811,189
Total	**1,314,067,331**	**988,611,225**

*For terms and conditions with related parties, refer to note 40.

Note:

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

	(Amount in ₹)	
	As at Mar 31, 2020	**As at Mar 31, 2019**
i) The principal amount remaining unpaid to any supplier as at the end of each accounting year	1,489,348	3,043,658
ii) Interest due thereon remaining unpaid to any supplier as at the end of accounting year	841,631	730,667
iii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year		
iv) The amount of interest due and payable for the year	110,964	730,667
v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Act.	-	-

The information disclosed above is to the extent available with the Company.

b) Trade payables are non interest bearing and normally settled on 60 to 105 days

c)Refer note 45 (d) for information about liquidity risk related to Trade payables.

Note 22: Other financial liabilities

Refer note 2.16 for accounting policy on Financial instruments

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Current		
At fair value through other comprehensive income		
Derivative financial instrument	5,913,087	33,687,510
At amortised cost		
Current maturities of long-term debt;	228,000,000	76,500,000
Interest accrued but not due on borrowings	547,838	373,973
Payable to capital vendors	119,757,182	115,725,919
Deposits from dealers & others	73,336,623	75,779,851
Total	**427,554,730**	**302,067,253**

Notes:

(a)Refer note 43 of information about fair value measurement and note 45 (d) for information about liquidity risk related to other financial liabilities.

Note 23: Other current liabilities

		(Amount in ₹)
	As at Mar 31, 2020	**As at Mar 31, 2019**
Statutory dues	6,761,017	24,026,041
Advance from Customers*	6,476,704	10,564,378
Total	**13,237,721**	**34,590,419**

* Balance as at March 31, 2020 represents contract liabilities

Note 24: Revenue from operations

Refer note 2.4 for accounting policy on Revenue recognition and 2.5 for government grant and export incentives

Set out below is the disaggregation of the Company's revenue from contracts with customers:

		(Amount in ₹)
	2019-20	**2018-19**
Revenue recognised at the point of time		
Automotive Tyres	3,539,539,932	3,421,697,438
Tubes and others	178,266,516	211,019,224
Sale of scrap	4,458,245	7,535,671
Total revenue from contracts with customers	3,722,264,693	3,640,252,333
Other Operating Income		
Government grants (Refer foot note a)	49,252,958	38,928,740
Revenue from operations	**3,771,517,651**	**3,679,181,073**

Notes

a)The Company has recognised a government grant as income on account of Export Incentive under Merchandise Exports from India Scheme (MEIS) from Directorate General of Foreign Trade, Government of India.

		(Amount in ₹)
	2019-20	**2018-19**
India	2,114,178,015	2,548,373,948
Outside India	1,608,086,678	1,091,878,385
Total revenue from contracts with customers	**3,722,264,693**	**3,640,252,333**

Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

		(Amount in ₹)
	As at March 31, 2020	**As at March 31, 2019**
Trade receivables (Refer note 11)	623,266,900	538,581,946
Contract liabilities (Refer note 23)	6,476,704	10,564,378

Contract liabilities includes payments received in advance of performance under the contract.

Revenue recognised in the period from:	**2019-20**
Amounts included in contract liability at the beginning of the period	10,564,378
Performance obligations satisfied in previous periods	-

The Company receives payment from customers based on a billing schedule, as established in the contracts with customers. Trade receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) the Company perform under the contract.

Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price:

		(Amount in ₹)
	2019-20	**2018-19**
Revenue as per contracted price	3,750,897,436	3,657,217,031
Reductions towards variable consideration components	(28,632,743)	(16,964,698)
Revenue from contracts with customers	**3,722,264,693**	**3,640,252,333**

The reduction towards variable consideration comprises of discounts etc.

Practical expedients

The Company has taken advantage of the following practical exemptions:

-Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods or services to its customer is one year or less;

Note 25: Other Income

	2019-20	2018-19
		(Amount in ₹)
Interest income on		
Bank deposits	85,412	757,205
Other deposits	-	1,057,890
Other non operating income	1,528,269	4,601,548
Foreign exchange fluctuations (net)	8,271,034	-
Total	**9,884,715**	**6,416,643**

Note 26: i)- Consumption of Raw materials

	2019-20	2018-19
		(Amount in ₹)
Opening stock	75,630,645	34,912,608
Add: Purchases	608,535,347	437,382,969
	684,165,992	**472,295,577**
Less: Closing stock	(55,823,177)	(75,630,645)
Total	**628,342,815**	**396,664,932**

Details of raw materials consumed

	2019-20	2018-19
		(Amount in ₹)
Bead	13,222,524	7,105,474
Fabric	86,868,270	10,562,254
Rubber	298,832,015	189,657,061
Carbon black	128,502,926	78,999,370
Chemical	52,145,025	55,019,834
Other Materials	48,772,055	40,389,998
Compound	-	14,930,941
Total	**628,342,815**	**396,664,932**

Details of closing inventories

	2019-20	2018-19
		(Amount in ₹)
Bead	1,552,353	1,860,489
Fabric	8,749,163	7,188,834
Rubber	28,653,657	45,419,355
Carbon black	4,636,302	9,388,241
Chemical	4,715,721	9,768,124
Others	7,515,981	2,005,602
Total	**55,823,177**	**75,630,645**

Note 27: ii)- Purchase of Traded Goods

	2019-20	2018-19
		(Amount in ₹)
Purchase of traded goods	2,109,307,684	2,479,691,342
Total	**2,109,307,684**	**2,479,691,342**

Note 28: Changes in inventories of finished goods, stock in trade and work in progress.

	2019-20	2018-19
		(Amount in ₹)
Inventories at the beginning of the year		
a) Work-in-progress	6,959,729	10,415,898
b) Finished Goods	12,607,165	20,337,787
c) Stock in trade	202,528,057	124,715,902
	222,094,951	155,469,587
Inventories at the end of the year		
a) Work-in-progress	6,960,928	6,959,729
b) Finished Goods	31,226,288	12,607,165
c) Stock in trade	190,380,512	202,528,057
	228,567,728	222,094,951
Total change in inventories	**(6,472,777)**	**(66,625,364)**

CEAT Specialty Tyres Limited
Notes to financial statements for year ended March 31, 2020

Note 29: Employee benefit expense

Refer note 2.15 for accounting policy on Retirement and other employee benefits

(Amount in ₹)

	2019-20	2018-19
Salaries, wages and bonus	280,061,457	257,725,985
Contribution to provident and other funds	13,197,253	12,498,980
Gratuity expenses (Refer note 37)	3,766,165	3,489,251
Staff welfare expenses	38,463,910	36,631,815
Total	**335,488,785**	**310,346,031**

Note 30: Finance costs

Refer note 2.10 for accounting policy on borrowing costs

(Amount in ₹)

	2019-20	2018-19
Interest on debts and borrowings	307,088,079	271,525,372
Other borrowing costs	10,389,039	12,304,025
Total	**317,477,118**	**283,829,397**

Note 31: Depreciation and amortization expense

Refer note 2.8 for accounting policy on property,plant and equipment and 2.9 on intangible assets

	2019-20	2018-19
Depreciation of tangible assets (Refer note 3)	159,149,571	137,917,939
Amortization of intangible assets (Refer note 4)	59,075,581	45,484,732
Total	**218,225,152**	**183,402,671**

Note 32: Other expenses

	2019-20	2018-19
Freight and delivery charges	94,255,401	93,148,333
Warehouse charges	5,222,858	4,791,610
Rent for premises	1,458,103	1,378,796
Lease rent	604,872	544,875
Rates and taxes	26,589,379	-
Insurance	11,171,945	7,209,079
Stores and spares consumed	26,043,709	18,403,905
Power and Fuel	91,935,348	77,591,494
Repairs & Maintainance		
-Repairs Plant &Machinary	10,673,193	11,327,318
-Repairs Building	2,913,474	1,159,897
-Repairs Others	7,404,156	153,987
Travelling and conveyance	55,470,826	42,871,842
Printing and stationery	1,996,011	1,721,679
Payment to auditors (Refer foot note 1)	1,800,495	1,663,220
Advertisement and sales promotion expenses	135,190,382	104,635,537
Communication expenses	13,312,472	13,271,194
Legal charges	1,120,702	161,889
Professional and consultancy charges	22,263,017	28,966,784
Training and conference expenses	4,326,866	7,288,459
Bank charges	4,779,248	12,544,809
Office expenses	44,046,557	40,980,943
Sales related obligation	11,078,137	4,038,302
Allowance for Doubtful debts	4,916,624	5,375,665
Miscellaneous expenses	73,948,865	71,152,538
Foreign exchange fluctuations (net)	-	4,448,984
Total	**652,522,640**	**554,831,139**

1. Payments to auditor:

As auditor*		
Audit fee	950,000	950,000
Limited review	600,000	600,000
Certification fees	225,000	100,000

In other capacity:		
Reimbursement of expenses	25,495	13,220
Total payment to auditor	**1,800,495**	**1,663,220**

* Exclusive of goods and service tax

Note 33: Exceptional items

	2019-20	**2018-19**
Provision for indirect tax matters (Refer foot note a)	-	5,443,589
COVID19 Impact (Refer foot note b)	890,734	-
Total	**890,734**	**5,443,589**

Notes

a. Provision for differential amount of Goods and Service Tax is attributable to the composite supply of Tyres and Tubes for the period from November 15, 2017 to January 11, 2019, aggregating to ₹ 54,43,589 and in respect of which the Company is evaluating further legal options.

b. As explained in note 48 the COVID-19 pandemic had a significant impact on the Company operations. Borrowing costs not capitalized due to temporary suspension relating to ongoing capital projects(for the period attributable to the COVID-19) aggregate ₹ 8,90,734.

Note 34: Research and development costs

	2019-20	**2018-19**
Capital expenditure	54,201,294	36,366,934
Revenue expenditure	33,783,639	43,953,568
Total	**87,984,933**	**80,320,502**

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 35: Earning per share

Refer note 2.22 for accounting policy on earnings per share

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

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

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

	2019-20	**2018-19**
Net loss after tax for calculation of basic and diluted EPS	(474,379,785)	(461,986,021)
Weighted average number of equity shares (face value per share ₹ 10) in calculating basic EPS and diluted EPS	21,050,000	19,940,411
Basic earnings per share	(22.54)	(23.17)
Diluted earnings per share	(22.54)	(23.17)

Note 36: 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.

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.

Information about critical judgments in applying accounting policies, as well as estimates and assumptions that have the most significant effect to the carrying amounts of assets and liabilities within the next financial year, are included in the following notes:

(a) Measurement of defined benefit obligations - note 37
(b) Measurement and likelihood of occurrence of provisions and contingencies - note 19
(c) Recognition of current tax and deferred tax assets - note 7
(d) Key assumptions used in fair valuations - note 44
(e) Estimation of uncertainties relating to the global health pandemic from COVID-19 - note 48

Note 37: Post-retirements benefit plan
Refer note 2.15 for accounting policy on Retirement and other employee benefits
a) Defined Contribution plan
The Company has recognised and included in Note No.29 “Contribution to Provident and other funds” expenses towards the defined contribution plan as under:

(Amount in ₹)

Particulars	**2019-20**	**2018-19**
Contribution to Provident fund (Government)	12,382,636	11,111,628

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**	**As at March 31, 2020**	**As at March 31, 2019**
1	**Opening present value of defined benefit obligation**	**7,093,899**	**10,679,840**
2	Current service cost	3,912,728	3,416,898
3	Interest cost	515,401	811,091
4	Benefits paid	(554,998)	(2,030,635)

5	Remeasurement (gain) / loss in other comprehensive income		
	Due to change in Demographic assumptions	205	(1,065,992)
	Due to change in Financial assumptions	729,823	301,283
	Due to experience adjustments	2,261,816	(5,018,586)
6	**Closing present value of obligation**	**13,958,874**	**7,093,899**

ii) Changes in Fair value of Plan Assets as as follows

(Amount in ₹)

Sr. No.	**Particulars**	**As at March 31, 2020**	**As at March 31, 2019**
1	Fair value of plan assets as at April 1	9,111,044	9,727,146
2	Expected return on plan assets	661,954	738,738
3	Contributions made	-	1,035,991
4	Benefits paid	(554,998)	(2,030,635)
5	Return on plan assets, excluding amount recognised in net interest expense	-	(360,196)
6	**Fair value of plan assets as at March 31**	**9,218,000**	**9,111,044**

iii) Expenses recognised during the period

(Amount in ₹)

Sr. No.	**Particulars**	**2019-20**	**2018-19**
1	In Income Statement	3,766,175	3,489,251
2	In Other Comprehensive Income	2,991,844	(5,423,099)
3	**Total Expenses recognised during the period**	**6,758,019**	**(1,933,848)**

iv) Expenses recognized in the Income Statement

(Amount in ₹)

Sr. No.	**Particulars**	**2019-20**	**2018-19**
1	Current Service Cost	3,912,729	3,416,898
2	Interest Cost on benefit obligation	515,401	811,091
3	Expected return on plan assets	(661,954)	(738,738)
3	**Net benefit expense**	**3,766,176**	**3,489,251**

v) Expenses recognized in Other Comprehensive Income (OCI)

(Amount in ₹)

Sr. No.	**Particulars**	**Gratuity 2019-20**	**Gratuity 2018-19**
1	Remeasurement arising from changes in demographic assumptions	205	(1,065,992)
2	Remeasurement arising from changes in financial assumptions	729,823	301,283

3	Remeasurement arising from changes in experience variance	2,261,816	(5,018,586)
4	Return on plan assets, excluding amount recognized in net interest expense	-	360,196
5	**Components of defined benefit costs recognized in other comprehensive income**	**2,991,844**	**(5,423,099)**

vi) Net Assets / (Liability) as at year end

(Amount in ₹)

Sr.No.	Particulars	As at March 31, 2020	As at March 31, 2019
1	Closing Present value of the defined benefit obligation	13,958,874	7,093,899
2	Closing Fair value of plan Assets	9,218,000	9,111,044
3	**Net (Liability)/Assets recognized in the Balance Sheet**	**(4,740,874)**	**2,017,145**

vii) Actual return on plan assets for the year ended

(Amount in ₹)

Sr. No.	Particulars	2019-20	2018-19
1	Expected return on plan assets	661,954	738,738
2	Actuarial (loss)/gain on plan assets	-	(360,196)
	Actual return on plan assets	**661,954**	**378,542**

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

Particulars	As at March 31, 2020	As at March 31, 2019
Investment with Insurer	100%	100%

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

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

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

Liquidity Risk

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

Salary Escalation Risk

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

Demographic Risk

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

Regulatory Risk

Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts.

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	**2019-20**	**2018-19**
Discount Rates (per annum)	6.35%	7.25%
Salary growth rate (per annum)	7.00%	7.00%
Mortality rate (% of Indian Assured Lives Mortality (2012-14) Modified Ultimate)	100%	100%
Disability Rate	5% of mortality rate	5% of mortality rate
Withdrawal rates, based on service year: (per annum)	15%	15%
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 below have been determined based on reasonably possible change of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis is given below:

(Amount in ₹)

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Defined Benefit Obligation (Base)	13,958,874	7,093,899

A quantitative sensitivity analysis for significant assumption as at March 31, 2020 is as shown below:

(Amount in ₹)

Particulars	**2019-20**		**2018-19**	
	Decrease	**Increase**	**Decrease**	**Increase**
Discount Rate (- / + 1%)	14,860,628	13,151,073	7,579,709	6,658,022
(% change compared to base due to sensitivity)	6.50%	-5.80%	6.80%	-6.10%
Salary Growth Rate (- / + 1%)	13,148,546	14,846,069	6,653,151	7,576,145
(% change compared to base due to sensitivity)	-5.80%	6.40%	-6.20%	6.80%
Attrition Rate (- / + 1%)	14,116,614	13,806,158	7,207,563	6,981,849
(% change compared to base due to sensitivity)	1.10%	-1.10%	1.60%	-1.60%
Mortality Rate (- / + 10% of mortality rates)	13,959,044	13,958,707	7,092,896	7,094,900
(% change compared to base due to sensitivity)	0.00%	0.00%	0.00%	0.00%

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

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

The Company's best estimate of contribution during the next year is Nil.

The weighted average duration (based on discounted cash flows) of defined benefit obligation is 6 years.

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

(Amount in ₹)

	As at March 31, 2020	**As at March 31, 2019**
Year 1	1,285,567	457,110
Year 2	2,430,189	599,694
Year 3	1,853,993	1,198,409
Year 4	1,679,602	1,117,117
Year 5	2,002,469	949,948
Next 5 year	6,223,880	3,907,087
Total expected payments	**15,475,700**	**8,229,365**

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

Note 38: Leases

Refer note 2.11 for accounting policy on leases

The Company has entered into a lease agreement with the leasing company for vehicles. 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.

These leases are of low value. The company applies 'lease of low-value assets' recognition exemptions for these leases.

(Amount in ₹)

Particulars	2019-20	2018-19
Expense relating to short-term leases (included in other expenses)	604,872	544,875
	604,872	**544,875**

The Company had total cash outflows for leases of INR 604,872 in 31 March 2020 (INR 544,875 in 31 March 2019)

Note 39: Commitments and contingencies

a. Contingent Liabilities
Refer note 2.24 for accounting policy on contingent liabilities and contingent assets.
There are no contingent liabilities as on March 31,2020 and March 31.2019.

b. Commitments

(Amount in ₹)

Particulars	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advance payments)	551,186,712	473,312,888

Note 40: Related party transactions
a) Names of related parties and related party relationship
Related parties where control exists
▪ CEAT Limited (Ultimate Holding Company)
▪ CEAT Specialty Tires, Inc. (Subsidiary Company)
▪ CEAT Specialty Tyres, B.V. (Subsidiary Company)
Related parties with whom transactions have taken place during the current year and previous year
▪ KEC International Limited (Directors, KMP or their relatives are interested)
▪ Raychem RPG Private Limited (Directors, KMP or their relatives are interested)
▪ RPG Enterprises Limited (Directors, KMP or their relatives are interested)
▪ Ceat Specialty Tyres Ltd EMP New Group Gratuity Cash Accumulation Scheme
▪ Key Management Personnel (KMP) :
i) Mr Vijaysinh Shrimantrao Gambhire, Managing Director
ii) Mr. Hassan Hashmi,Chief Financial Officer (w.e.f. October 1, 2019)
iii) Mr. Sandeep Sarkhot, Chief Financial Officer(till September 30, 2019)
iv) Mr. Paras Kumar Chowdhary, Independent Director
v) Mr. Kottukappallil Thomas Tom , Director(till September 30, 2019)
vi) Mr. Anant Vardhan Goenka, Chairman
vii) Mr. Kishor Chandrakant Shete, Independent Director
viii) Ms. Shruti Ratnakar Joshi, Director(till May 30, 2018)
ix) Mr. Arnab Mrinal Banerjee, Director
x) Ms. Vallari Gupte, Additional Director (w.e.f. September 25, 2019)
xi) Mr. Sunil Malik,Company Secretary
xii) Mr. Amit Dodani,Company Secretary

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

(Amount in ₹)

Related Party	Transactions	2019-20	2018-19
CEAT Limited	Purchase of Traded	2,040,188,566	2,339,806,095
CEAT Limited	Sales of Traded goods	31,562,915	27,574,882
CEAT Limited	Loan taken	776,090,151	1,963,000,000
CEAT Limited	Loan Repayment	852,909,151	1,873,000,000
CEAT Limited	Interest paid on loan (including capitalised)	36,666,145	40,522,593
CEAT Limited	Sale of MEIS Licenses	29,627,969	11,637,384
CEAT Limited	Equity Capital (including share premium) received during the year	-	300,000,000
CEAT Limited	Building Maintenance recovery	3,345,160	2,922,057
CEAT Limited	Facility & other lease recovery	200,746,125	212,180,975
CEAT Limited	Corporate guarantee Commission	19,880,080	18,054,195
CEAT Specialty Tires, Inc	Consultancy Fees	73,111,989	52,546,365
CEAT Specialty Tyres, B.V.	Consultancy Fees	24,692,494	30,757,205
CEAT Specialty Tyres, B.V.	Investment in equity shares	-	3,990,889
RPG Enterprises Limited	Reimbursement of expenses	-	437,263
KEC International Limited	Reimbursement of expenses	450,000	700,796
Ceat Specialty Tyres Ltd Employee' S Group Gratuity Assurance Scheme	Contributions made	-	1,035,991
Ceat Specialty Tyres Ltd Employee' S Group Gratuity Assurance Scheme	Benefits paid	(554,998)	(2,030,635)

c) Balance outstanding at the year end

(Amount in ₹)

Related party	Amount due to / from related party	As at March 31, 2020	As at March 31, 2019
CEAT Limited	Inter Corporate Deposit – Loans taken	503,181,000	580,000,000
CEAT Limited	Trade payable	1,035,004,916	724,253,523
CEAT Limited	Receivable towards warranty claim	19,097,090	7,408,994
CEAT Specialty Tires, Inc	Payable for Marketing Consultancy	4,116,841	6,352,637
CEAT Specialty Tires, Inc	Investment in Equity Shares	2,579,200	2,579,200
CEAT Specialty Tyres, B.V.	Payable for Marketing Consultancy	4,051,254	2,504,232
CEAT Specialty Tyres, B.V.	Investment in Equity Shares	3,990,889	3,990,889
KEC International Limited	Payable for reimbursement of expenses	450,000	700,796

d) Transactions with key management personnel and their relatives

(Amount in ₹)

Sr. No.	Related party	2019-20	2018-19
1)	Mr. Vijaysinh Shrimantrao Gambhire		
	Salaries	12,373,372	11,422,294
	Allowances and Perquisites	39,600	39,600
	Performance bonus*	1,541,957	2,346,024
	Contribution to Provident & Superannuation	538,418	494,229
	Leave encashment	-	-
	Total	**14,493,347**	**14,302,147**
2)	Mr. Hassan Hashmi		-
	Salaries	2,286,965	-
	Allowances and Perquisites	32,566	-
	Performance bonus	-	-
	Contribution to Provident & Superannuation	14,000	-
	Leave encashment	-	-
	Total	**2,333,531**	**-**
3)	Mr. Sandeep Sarkhot		
	Salaries	2,888,011	4,514,714
	Allowances and Perquisites	19,800	39,600
	Performance bonus*	512,000	1,486,807
	Contribution to Provident & Superannuation	93,768	185,091
	Leave encashment	223,568	-
	Total	**3,737,147**	**6,226,212**
4)	Mr. Sunil Malik		
	Salaries	160,549	952,968
	Performance bonus*	100,066	252,374
	Allowances and Perquisites	-	-
	Contribution to Provident & Superannuation	2,876	51,203
	Leave encashment	31,151	-
	Total	**294,642**	**1,256,545**

*Represents amount paid during the year.

(Amount in ₹)

Particulars	31-Mar-20	31-Mar-19
Short-term employee benefits	20,209,605	21,054,381
Termination benefits	649,062	730,523
Total	**20,858,667**	**21,784,904**

Terms and conditions of transactions with related parties

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

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

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

Note 41: Segment information

Refer note 2.23 for accounting policy on Segment reporting

The Company is primarily engaged in business of trading and manufacturing of Tyres ,Tubes & Flaps.

Information about products

(Amount in ₹)

Particulars	2019-20			2018-19		
	Automotive Tyres	Tubes and others	Total	Automotive Tyres	Tubes and others	Total
Revenue from sale of products	3,539,539,932	182,724,761	3,722,264,693	3,421,697,438	218,554,895	3,640,252,333

Information about geographical areas

(Amount in ₹)

Particulars	2019-20			2018-19		
	In India	Outside India	Total	In India	Outside India	Total
Revenue from sale of products	2,114,178,015	1,608,086,678	3,722,264,693	2,548,373,948	1,091,878,385	3,640,252,333
Non-current assets	4,468,400,969	-	4,468,400,969	3,795,251,100	-	3,795,251,100

Information of one external customers who has generated revenue of 10% or more of the Company's total revenue :

(Amount in ₹)

Particulars	2019-20	2018-19
Revenue from sale of products (Gross)	504,146,230	716,577,744

During the year 2019-20 and 2018-19, no single country outside India has given revenue of more than 10% of total revenue.

Note 42: Hedging activities and derivatives

Derivatives designated as hedging instruments

The Company uses derivative financial instruments such as foreign currency forward contracts to hedge foreign currency risk arising from future transactions in respect of which firm commitments are made or which are highly probable forecast transactions. All these instruments are designated as hedging instruments and the necessary documentation for the same is made as per Ind AS 109.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of recognized purchase payables, committed future purchases, recognized sales receivables, forecast sales and Foreign Currency loan (Buyer's Credit) in US dollar & Euro.

(Amount in foreign currency and ₹)

Derivative	Currency	As at March 31,2020		As at March 31,2019		Purpose
		FC	₹	FC	₹	
Forward Contract to sell foreign Currency	USD	1,586,766	120,086,472	862,856	59,640,578	Hedge of Foreign Currency sales
	EUR	982,591	81,441,811	423,487	32,874,710	
Forward Contract to buy foreign Currency	USD	1,965,008	146,197,771	1,582,055	109,351,617	Hedge of foreign currency Firm Commitment-PO based hedging
	EURO	1,246,659	105,206,628	3,764,750	292,252,648	
	USD	220,816	16,713,568	-	-	Hedge of foreign currency purchase

(Amount in foreign currency)

Unhedged foreign currency Exposure*	Currency	2019-20	2018-19
Trade Payables and other financial Liabilities	USD	185,861	242,821
	EUR	1,940	24,928
	GBP	-	28,968
Trade Receivables	USD	732,414	544,976
	EURO	747,908	443,153

*The trade payables and other financial liabilities are naturally hedged (off-set) to the extent of exposure under trade receivables / advances for respective currencies.

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

The cash flow hedges as at March 31, 2020 were assessed to be highly effective and a net unrealised gain of ₹ 3,59,66,814 relating to the hedging instruments is included in OCI. Comparatively, the cash flow hedges as at March 31, 2019 were assessed to be highly effective and a net unrealised loss of ₹ 3,42,18,080 relating to the hedging instruments, was included in OCI.

Note 43: 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:

(Amount in ₹)

	As at March 31, 2020		As at March 31, 2019	
	Carrying values	Fair values	Carrying values	Fair values
Financial assets				
At amortised cost				
Other financial assets (Non-current)	1,351,277	1,351,277	206,085	206,085
Total	**1,351,277**	**1,351,277**	**206,085**	**206,085**
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	2,387,853,808	2,387,853,808	2,199,113,375	2,199,113,375
At fair value through other comprehensive income				
Other financial liabilities (Current)				
- Derivative financial instrument	5,913,087	5,913,087	33,687,510	33,687,510
Total	**2,393,766,895**	**2,393,766,895**	**2,232,800,885**	**2,232,800,885**

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

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

· The fair value of quoted mutual funds are based on price quotations at the reporting date.

· The Company enters into 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 input including foreign exchange spot and forward rates.

Note 44: 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, 2020

(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				
Other financial assets (Non-current)	1,351,277	-	1,351,277	-
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	2,387,853,808	-	2,387,853,808	-
At fair value through other comprehensive income				
Other financial liabilities (Current)				
- Derivative financial instrument	5,913,087	-	5,913,087	-

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, 2019

(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				
Other financial assets (Non-current)	206,085	-	206,085	-
Financial liabilities				
At amortized cost				
Borrowings (Non-current)	2,199,113,375	-	2,199,113,375	-
At fair value through other comprehensive income				
Other financial liabilities (Current)				
-Derivative financial instrument	33,687,510	-	33,687,510	-

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

Note 45 : Financial risk management objectives and policies

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

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

a. Market risk

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

The sensitivity analysis in the following sections relate to the position as at March 31, 2020 and March 31, 2019.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at March 31, 2020.

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

The following assumptions have been made in calculating the sensitivity analysis:
· The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2020 and March 31, 2019 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 2019 for the effects of the assumed changes of the underlying risk

i. Interest rate risk

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The following table provides a break-up of Company's fixed and floating rate borrowing (gross of Processing fees)

(Amount in ₹)

Particulars	**As at March 31, 2020**	**As at March 31, 2019**
Fixed rate borrowings	503,181,000	580,000,000
Floating rate borrowings	3,119,621,748	2,280,000,000
Total borrowings	**3,622,802,748**	**2,860,000,000**

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:

(Amount in ₹)

	Increase/decrease in basis points	**Effect on profit before tax**
March 31, 2020		
	+/- 100 bps	- 3,11,58,538/ +3,11,58,538
March 31, 2019		
	+/- 100 bps	-2,27,56,134/ +2,27,56,134

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

ii. Foreign currency

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 hedging transactions that are expected to occur within a maximum 6 month period for the foreign currency denominated trade payables and trade receivables. When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure.
Foreign currency risk is hedged by using foreign currency forward contracts. At March 31, 2020, the Company hedged 80% (March 31, 2019: 76%) of its foreign currency receivables/payables.

Foreign currency sensitivity

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

Particulars	Change in Currency	Effect on profit before tax
March 31, 2020		
Recognized net receivable – USD 546,553	₹ +1/- 1	-5,46,553/- +5,46,553/-
Recognized net receivable – EUR 745,968	₹ +1/- 1	-7,45,968/- +7,45,968/-
March 31, 2019		
Recognized net receivable – USD 302,156	₹ +1/- 1	-3,02,156/- +3,02,156/-
Recognized net receivable – EUR 418,225	₹ +1/- 1	-4,18,225/- +4,18,225/-

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

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

b. Commodity price risk

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

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

Commodity price sensitivity

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

(Amount in ₹)

Commodity	Increase in profit due to decrease in commodity price		Decrease in profit due to increase in commodity price	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Natural Rubber	7,136,587	6,626,850	(7,136,587)	(6,626,850)
Synthetic Rubber	7,617,565	4,736,869	(7,617,565)	(4,736,869)
Carbon Black	6,362,940	4,370,487	(6,362,940)	(4,370,487)

c. Credit risk

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

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 27 days to 60 days credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored. Credit risk on receivables is also mitigated by securing the same against security deposit, letter of credit and advance payment.

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

(Amount in ₹)

Particulars	As at March 31, 2020			As at March 31, 2019		
Ageing	**Less than 180 days**	**More than 180 but less than 360 days**	**More than 360 days**	**Less than 180 days**	**More than 180 but less than 360 days**	**More than 360 days**
Expected loss rate	0%	50%	100%	0%	27%	67%
Gross carrying amount	623,423,814	3,780,846	6,354,529	534,589,146	2,156,687	7,211,778
Loss allowance provision	2,047,337	1,890,423	6,354,529	-	577,615	4,798,050

Export customers are against Letter of Credit, bank guarantees, payment against documents. For open credit exports insurance cover is taken. Generally deposits are taken from domestic debtors under replacement segment. The carrying amount and fair value of security deposit from dealers amounts to ₹ 7,33,36,623 (March 31, 2019: ₹ 7,57,79,851) as it is payable on demand. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Other financial assets and cash deposits

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

The Company's maximum exposure to credit risk for the components of the balance sheet at March 31, 2020 and March 31, 2019 is the carrying amounts as illustrated in note 11 and note 13 except for derivative financial instruments. The Company's maximum exposure relating to financial derivative instruments is noted in note 22.

d. Liquidity risk

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Liquidity exposure as at March 31, 2020

(Amount in ₹)

Particulars	< 1 year	1-5 years	>5 years	Total
Non current borrowings*	-	2,126,496,748	265,125,000	2,391,621,748
Current borrowings	1,003,181,000	-	-	1,003,181,000
Other Financial Liabilities	427,554,730	-	-	427,554,730
Trade payables	1,314,067,331	-	-	1,314,067,331
Total financial liabilities	**2,744,803,061**	**2,126,496,748**	**265,125,000**	**5,136,424,809**

* Non-current borrowings are before netting off of processing fees

Liquidity exposure as at March 31, 2019

(Amount in ₹)

Particulars	< 1 year	1-5 years	>5 years	Total
Non current borrowings*		1,539,375,000	664,125,000	2,203,500,000
Current borrowings	580,000,000	-	-	580,000,000
Other Financial Liabilities	302,067,253	-	-	302,067,253
Trade payables	988,611,225	-	-	988,611,225
Total financial liabilities	**1,870,678,478**	**1,539,375,000**	**664,125,000**	**4,074,178,478**

* Non-current borrowings are before netting off of processing fees

Note 46: Capital management

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

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

(Amount in ₹)

	March 31, 2020	March 31, 2019
Borrowings *(Note 18, 20 and 22)	3,619,034,808	2,855,613,375
Less: cash and cash equivalents and other bank balances (Note 12 and 12A)	(23,242,728)	(18,576,784)
Net debt	**3,595,792,080**	**2,837,036,591**
Equity (Note 16 and 17)	567,800,453	1,009,205,268
Capital and net debt	**4,163,592,533**	**3,846,241,859**
Gearing ratio	86%	74%

*Includes current maturities of long term borrowings

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

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2020 and March 31, 2019.

Note 47: Scheme of Amalgmation

The Board of Directors of the Company at its meeting held on April 03, 2019 approved the Scheme of Amalgamation (the 'Scheme') between the Company and its parent company, CEAT Limited and thier respective shareholders and creditors under section 230 and 232 and other applicable provisions of the Companies Act, 2013. The National Company Law Tribunal, Mumbai Bench (the 'NCLT'), had its final hearing on March 13, 2020 and the Order approving the Scheme became accessible on the website of the NCLT on May 25, 2020. However, the certified copy of the Order is still awaited. The Scheme is effective only upon filing of the certified copy of the NCLT Order with the Registrar of Companies, and no part of the Scheme, including the accounting treatment therein, can be made operative until such time. The Company has also obtained a legal expert's opinion in this regard.

Note 48: : Estimation of uncertainties relating to the global health pandemic from COVID-19

The COVID-19 pandemic is an evolving human tragedy declared a global pandemic by the World Health Organisation with adverse impact on economy and business. Supply Chain disruptions in India as a result of the outbreak started with restrictions on movement of goods, closure of borders etc., in several states followed by a nationwide lockdown from March 25, 2020 announced by the Indian Government, to stem the spread of COVID-19. Due to this the operations in many of the Company's manufacturing, distribution centres and warehouses got temporarily disrupted.

In light of these circumstances, the Company has considered the possible effects that may result from COVID-19 on the carrying values of financials assets, inventory, trade receivables, advances, property plant and equipment, intangibles, etc. as well as liabilities accrued. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic, the Company has used internal and external information such as our current contract terms, financial strength of partners, investment profile, future volume estimates from the business, etc. Having reviewed the underlying data and based on current estimates, the Company expects the carrying values of these assets will be recovered and there is no significant impact on liabilities accrued other than those reported in note 33.The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

Note 49: Material foreseeable losses

The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

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: May 28, 2020

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

Anant Vardhan Goenka
Chairman

Vijay Gambhire
Managing Director

Hassan Hashmi
Chief Financial Officer

Amit Dodani
Company Secretary

Place: Mumbai
Date: May 27, 2020