MRF

ANNUAL REPORT 2017-18


# FUTURE READY

## MUSCLE IN MOTION

# CONTENT

# CHAIRMAN'S MESSAGE

Dear Shareholder,

The year 2018 marks the Company's consolidation of its fourth decade of leadership in the Indian Tyre Industry.

The first half of the year saw the implementation of the Goods & Services Taxation (GST), the effect of which was felt across sectors, more so by small industries and traders. Short term impact of GST seems to have worn off and one expects that in the long run, this would provide transparency in Operations and benefit both industry and consumers.

India continues to be one of the proverbial bright spots among large economies of the world. The agrarian economy got a healthy fillip due to a good monsoon, thus giving a push to rural demand. This, along with large infrastructure development and investments, is expected to further give an impetus to the Indian economy in the coming year.

MRF's total income for the financial year ended 31st March 2018 is Rs.15510 crores. Your company continues to grow and will leave no stone unturned to be the customers' most preferred brand by raising the benchmarks for product range and superiority.

Your company's latest premium product – PERFINZA, has won the "Product of the Year" award from the prestigious Car India/Bike India magazine. MRF also has the unique distinction of being the only Tyre Company to be awarded the "JD Power India Customer Satisfaction Original Equipment Tyres Award" for Passenger Cars and Utility Vehicles in 2018 for a record 13th time.

As the leader in the Tyre Industry, we constantly need to evaluate our capabilities as well as make investments to improve our market position. In this direction, we have laid the foundation stone of our plant at Dahej, Gujarat and it is expected to come on stream in the next two years.

MRF's unique insights into the country, its people, culture, customers, roads and trade channels, combined with its speedy and innovative products and "Go-to-Market" strategies, will ensure its continued dominance in the market.

**K.M. MAMMEN**
Chairman & Managing Director

# NEW PRODUCT LAUNCHES

## PERFINZA BY MRF


**Perfinza by MRF**, a range of tyres for luxury sedans was launched by A B De Villiers, MRF's global brand ambassador. Designed and engineered by MRF R&D, the tyres were extensively tested at the IDIADA proving grounds near Barcelona in Spain, Europe's most comprehensive independent testing centre. Perfinza achieved the distinction of being the first tyre manufactured by an Indian company to be approved by a leading global luxury car manufacturer.

Perfinza by MRF also received the prestigious **2018 Product of the Year Award** from Car India magazine, a fitting recognition of perfection and finesse that the tyre delivers.

# NEW PRODUCT LAUNCHES

## TRUCK RADIALS


**S3H8 10 R 20** is a heavy loading application premium radial tyre for construction trucks.

**S1M4 Plus 8.25 R 20** is an all-wheel fitment tyre for LCV's.



**S1M4 Plus 9 R 20** is an all-wheel fitment tyre for new generation LCV's, mainly as OE fitment.

**S3K4 9 R 20** is a drive axle fitment tyre for new generation ICV's, mainly as OE fitment.

# MRF TWO-WHEELER TYRES-
## WORLD-CLASS RANGE

**MRF ZAPPER** delivers superior grip, better road contact and excellent traction thanks to a unique tread compound.

**MRF REVZ** is India's first radial tyre for high performance bikes with exceptional cornering stability and enhanced control at high speeds.

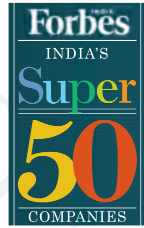

**MRF MASSETER** tyres are engineered to perform with advanced L.A.P.S formula to deliver vice-like grip and superior control even at advanced lean angles.

# MRF TYREDROME-
# WORLD-CLASS TYRE CARE


**The MRF Tyredrome** was born with a vision of providing high-tech tyre care and maintenance for new generation cars with an international ambience. The newest addition to this chain is the new MRF Tyredrome at Anna Nagar, making it the second in Chennai and the third in the country after Ernakulam, providing a range of services for discerning car customers ranging from robotic wheel alignment to automated car wash. The entire range of MRF tyres and tubes are also available at this new outlet.

# MRF - INDIA'S MOST AWARDED TYRE BRAND


**BUSINESS WORLD:** MRF was listed in Business World magazine as one of India's fastest growing companies.




**FORBES INDIA:** MRF was listed in Forbes magazine's Super 50 Indian companies, the second time MRF is featuring in this prestigious listing.

**BRANDZ:** MRF was listed in BRANDZ Top 50 Most Valuable Indian Brands for the third year in a row in 2017 with a brand valuation of USD 1 billion.


**FROST & SULLIVAN:** MRF received the Frost & Sullivan India Passenger Car Tyres Aftermarket Price Performance Value Leadership Award.

**DUN & BRADSTREET:** MRF received the 2018 Corporate Award in the tyres category which focusses on business size and growth, profitability, efficiency, leverage, solvency and corporate governance.

# MRF'S PARTNERSHIP WITH THE INDIAN DEFENCE SERVICES


MRF is one of the major suppliers of terrestrial and aviation application tyres to the Indian Armed Forces and exclusively developed tyres for the Indian Army for their special application vehicles like the Kraaz, Kolos and Tatra. MRF is also one of the major suppliers of tyres to Ashok Leyland and BEML for their defence application trucks and Pinaka rocket launchers.

MRF has also developed several aviation tyres for the Indian Air Force. The tyres for the Sukhoi fighter aircraft was handed over by our CMD **Mr. K.M. Mammen** to the Indian Air Force in the presence of the Defence Minister **Mrs. Nirmala Sitharaman** at a special function in Chennai. MRF plans to indigenise the tyres for MIG 29, LCA, HAWK, JAGUAR and IL 76 in the next few years. This endeavour has given a big boost to the "Make in India" programme and also made our armed forces more self-reliant for critical components rather than depend on imports.

# SPECIALITY COATINGS

**MRF Corp Limited,** a pioneer in speciality coatings for wood and metal over the last two decades is reinventing itself as a company to provide innovative paint products for homes. The company will be working closely with key decision makers like dealers and contractors who are the service providers to customers who are either building a new home or renovating one.

After launching AquaFresh PUD Wall Finish, the company plans to launch Optima Acrylic Emulsion which can be used for both interiors and exteriors. The company also plans to use a dedicated mobile app "Bandhan" to connect with paint contractors across the country who are the goodwill ambassadors in the home paints business.

Other launches include a new compact Paint Tinting System powered by Corob™ from which a dealer can tint colours in AquaFresh and Optima for walls and WoodCoat Ultra pigmented finishes for interior furniture and kitchen shutters. The plan is to install 100 tinting machines across the country.

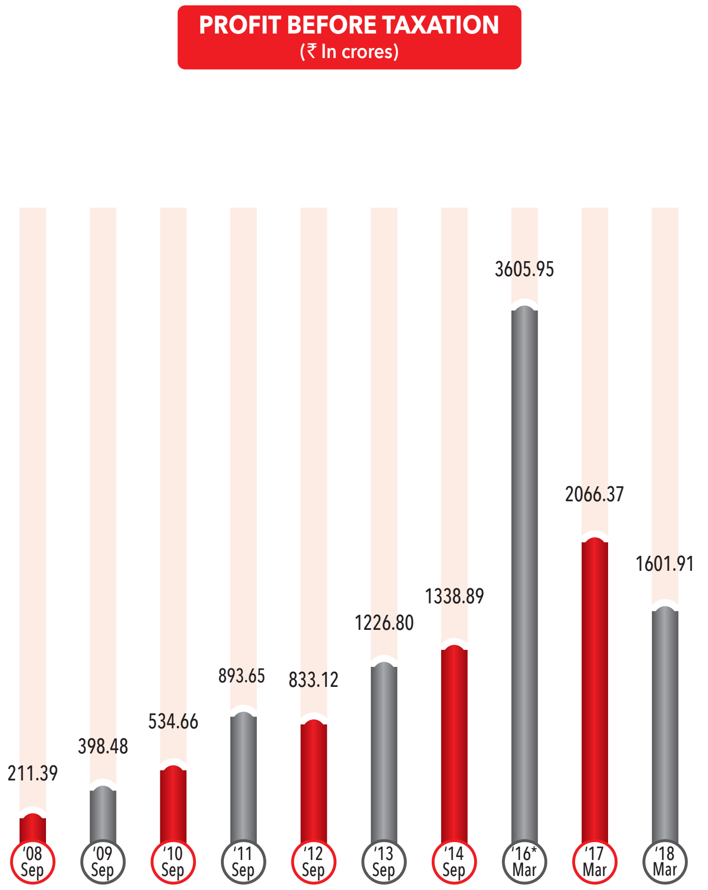
After having established leadership in the PU Exterior Wood Finish category with WoodCoat, the company plans to take a bigger share of the interior wood finishing category with focused activity on FreshWood interior finishes.

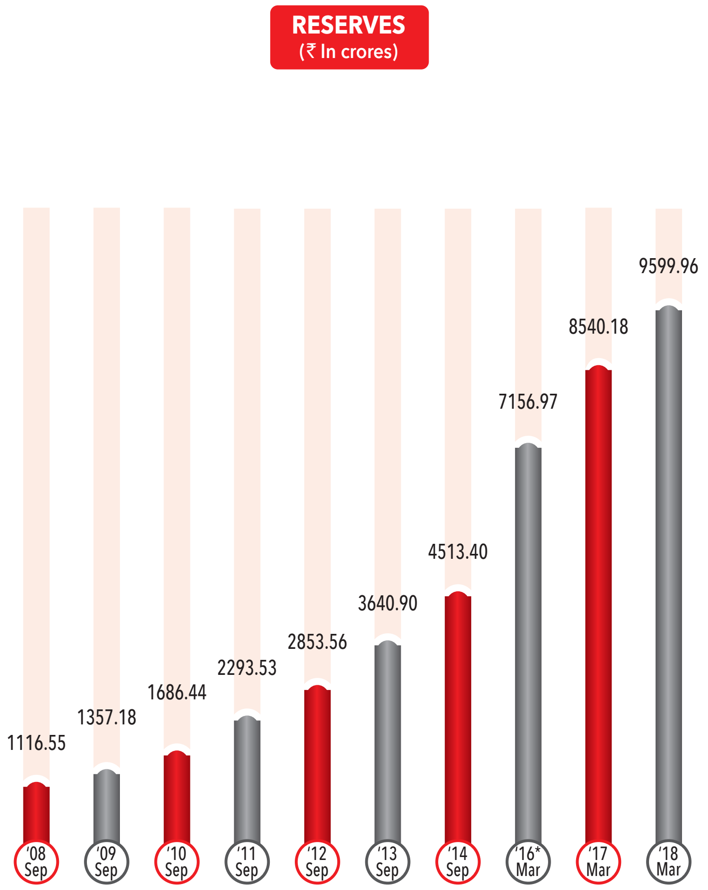
# APRC/MRF CHALLENGE


**MRF's domination of the APRC** continued with Team MRF winning its 9th APRC title in 2017. Indian driver Gaurav Gill took his third driver's title by winning 3 out of 5 rounds. In 2018 MRF is poised to enter the ultra-competitive WRC-2.


**The MRF Challenge** now in its 6th successful season witnessed thrilling racing in Bahrain, Dubai and Abu Dhabi and concluded with the season finale in Chennai. Felipe Drugovich of Brazil was crowned the MRF Challenge 2017 champion.

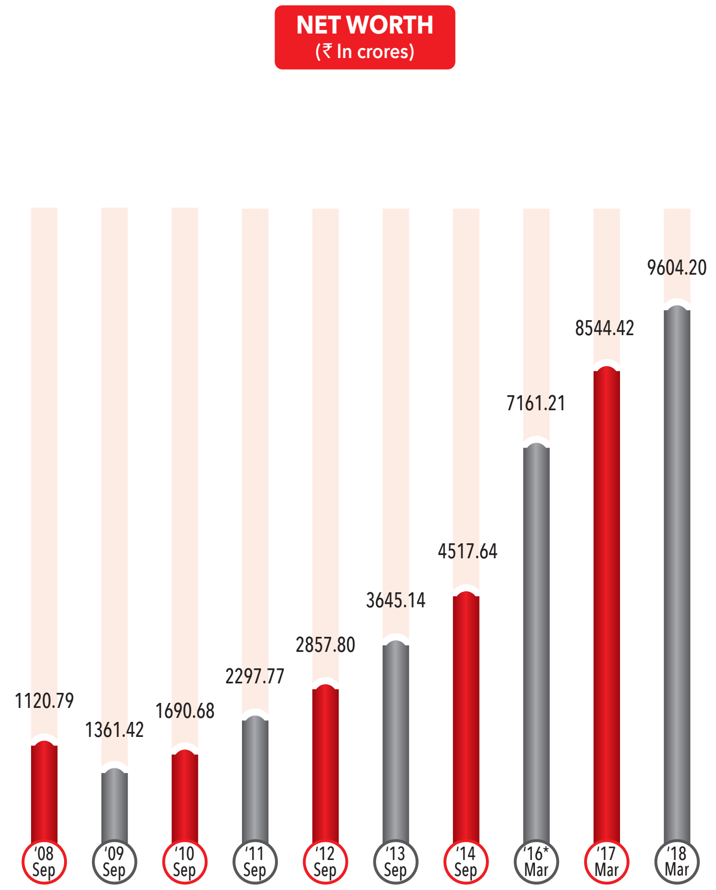
# RACING AHEAD




*For the 18 months period ended 31.03.2016

# RACING AHEAD


*For the 18 months period ended 31.03.2016

# BOARD OF DIRECTORS

**K.M. MAMMEN**
Chairman & Managing Director

**ARUN MAMMEN**
Vice Chairman & Managing Director

**RAHUL MAMMEN MAPPILLAI**
Managing Director

**SAMIR THARIYAN MAPPILLAI**
Whole-Time Director

**VARUN MAMMEN**
Whole-Time Director

**Dr. K.C. MAMMEN**

**ASHOK JACOB**

**V. SRIDHAR**

**VIJAY R. KIRLOSKAR**

**N. KUMAR**

**RANJIT I. JESUDASEN**

**Dr. SALIM JOSEPH THOMAS**

**JACOB KURIAN**

**M. MEYYAPPAN**

**Dr. CIBI MAMMEN**

**AMBIKA MAMMEN**

Company Secretary
**RAVI MANNATH**

Auditors
**SCA AND ASSOCIATES,** Mumbai
**MAHESH, VIRENDER & SRIRAM,** Hyderabad

Registered Office:
No.114, Greams Road,
Chennai - 600 006.

| Ten Year Financial Summary | 2018 | 2017 | 2014-16 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| ₹ Crores Sales | 15103.31 | 14651.24 | 22030.91 | 14640.94 | 13444.75 | 13054.03 | 10637.03 | 8080.45 | 6141.94 | 5715.52 |
| Other Income | 406.24 | 426.77 | 452.30 | 73.47 | 37.40 | 39.73 | 33.14 | 29.13 | 34.40 | 40.83 |
| Total Income | 15509.55 | 15078.01 | 22483.21 | 14714.41 | 13482.15 | 13093.76 | 10670.17 | 8109.58 | 6176.34 | 5756.35 |
| Profit before Taxation | 1601.91 | 2066.37 | 3605.95 | 1338.89 | 1226.80 | 833.12 | 893.65 | 534.66 | 398.48 | 211.39 |
| Provision for Taxation | 509.63 | 615.29 | 1132.05 | 441.00 | 424.59 | 260.76 | 274.23 | 180.68 | 145.45 | 66.83 |
| Profit after Taxation | 1092.28 | 1451.08 | 2473.90 | 897.89 | 802.21 | 572.36 | 619.42 | 353.98 | 253.03 | 144.56 |
| Share Capital | 4.24 | 4.24 | 4.24 | 4.24 | 4.24 | 4.24 | 4.24 | 4.24 | 4.24 | 4.24 |
| Reserves | 9599.96 | 8540.18 | 7156.97 | 4513.40 | 3640.90 | 2853.56 | 2293.53 | 1686.44 | 1357.18 | 1116.55 |
| Net Worth | 9604.20 | 8544.42 | 7161.21 | 4517.64 | 3645.14 | 2857.80 | 2297.77 | 1690.68 | 1361.42 | 1120.79 |
| Fixed Assets Gross | 9027.88 | 7560.09 | 6306.56 | 6954.43 | 5834.14 | 5477.16 | 4874.07 | 3865.62 | 3020.57 | 2866.24 |

## BOARD'S REPORT

Your Directors have pleasure in presenting to you the Fifty Seventh Annual Report and the Audited Financial Statements for the financial year ended 31st March, 2018.

### Financial Results

₹ Crores

| | 2017 - 2018 | 2016 - 2017 |
|---|---|---|
| Total Income | 15510 | 15078 |
| Profit before tax | 1602 | 2066 |
| Provision for taxation | 510 | 615 |
| Profit for the year | 1092 | 1451 |

### Performance Overview

During the financial year ended 31st March, 2018, your Company's total income was ₹ 15510 crore as against ₹ 15078 crore in the previous year. The net profit for the financial year was ₹ 1092 crore as against ₹ 1451 crore in the previous year.

Across the board, there was an overall increase in all segments adding up to a 8 % increase in total tyre production.

The Company witnessed higher raw material prices in 2017-18 as compared with the previous year.

The Company's exports stood at ₹ 1353 crore for the financial year ended 31st March 2018, as against ₹ 1316 crore for the previous year.

As required under regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report is attached and forms part of this Annual Report.

### Dividend

Two interim dividends of ₹ 3/- each per share (30% each) for the financial year ended 31st March, 2018 were declared by the Board of Directors on 10th November 2017 and on 1st February 2018. The Board of Directors is now pleased to recommend a final dividend of ₹ 54/- per share (540%) on the paid up equity share capital of the Company, for consideration and approval of the shareholders at the forthcoming Annual General Meeting of the Company. With this, the total dividend for the financial year ended 31st March, 2018 works out to ₹ 60/- per share (600 %). The total amount of dividend aggregates to ₹ 25.45 crore.

The Directors recommend that after making provision for taxation, debenture redemption reserve and dividend, an amount of ₹ 1046.89 crore be transferred to general reserve. With this, the Company's Reserves and Surplus stands at ₹ 9599.96 crore.

### Industrial Relations

Overall, the Industrial Relations in all our manufacturing units had been harmonious as well as cordial, except in Thiruvottiyur unit wherein long term wage settlement case has been referred to Industrial Tribunal. Efforts are made to resolve it bilaterally. Both production and productivity were maintained at the desired satisfactory levels throughout the year under review.

## Prospects for the Current Year

A favourable economic outlook, expectation of greater stability in GST, likely recovery in investment levels and ongoing structural reforms, are a harbinger of higher growth (barring any unprecedented global events which could have a dampening effect on GDP growth).

Tyre companies are therefore expected to reap the benefits of the buoyant growth prospects for Auto OEMs, and consequently, in time, replacement demand will also be robust, given the steady growth in vehicle population that will be due for replacement in the years to come.

## Performance of Subsidiaries

The consolidated financial statements of the Company and its subsidiaries, prepared in accordance with the Companies Act, 2013 and applicable accounting standards form part of the Annual Report. The consolidated financial statements include the financial results of its subsidiary Companies.

Pursuant to the provisions of section 136 of the Companies Act, 2013, the financial statements, consolidated financial statements along with the relevant documents and audited accounts of subsidiaries are available on the website of the Company.

A statement in Form AOC-1, containing the salient features of the financial statements of the Company's subsidiaries is attached with the financial statements. The statement also provides details of performance and financial position of the subsidiaries.

The contribution of the subsidiaries to the overall performance of the company is given in note 26(d) of the consolidated financial statement.

## Directors' Responsibility Statement

As required under section 134(3)(c) of the Companies Act, 2013, your Directors state that:

a) In the preparation of the annual accounts, the applicable Accounting Standards have been followed and that there are no material departures;

b) They have, in selection of the accounting policies, consulted the Statutory Auditors and applied them consistently, making judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) Annual accounts have been prepared on a going concern basis;

e) Internal financial controls had been laid down and followed by the Company and such internal financial controls are adequate and were operating effectively; and

f) Proper systems to ensure compliance with the provisions of all applicable laws have been devised and such systems were adequate and operating effectively.

## Risk Management

The Company has developed and implemented a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company. During the year, a "Risk Management Committee" was constituted as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee reviewed the risk management initiatives.

## Adequacy of Internal Financial Control

The Company has adequate internal financial control with reference to the financial statements commensurate with its size and nature of business. These controls include well documented procedures, covering financial and operational functions. The internal financial controls of the Company are adequate to ensure the accuracy and completeness of accounting records, timely preparation of reliable financial information, prevention and detection of frauds and errors and safeguard against any losses or unauthorized use or disposal of assets. These controls are assessed on a regular basis by Internal Audit.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information as required to be given under section 134(3)(m) read with rule 8(3) of the Companies (Accounts) Rules, 2014 is provided in Annexure I, forming part of this Report.

## Corporate Social Responsibility (CSR)

As required under section 135 of the Companies Act, 2013, the CSR Policy was formulated by the CSR Committee and thereafter approved by the Board. CSR Policy is available on the Company's website - http://www.mrftyres.com/downloads/download.php?filename=csr-Policy.pdf.

The details of the CSR initiatives undertaken during the financial year ended 31st March, 2018 and other details required to be given under section 135 of the Companies Act, 2013 read with rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in Annexure II forming part of this Report.

## Board

At the last Annual General Meeting held on 4th August 2017, Mr.Samir Thariyan Mappillai and Mr.Varun Mammen were inducted into the Board and appointed as Whole-time Directors of the Company.

The Board of Directors at its meeting held on 1st February, 2018, re-appointed Mr. Arun Mammen, Vice Chairman and Managing Director of the Company for a further period of 5 years w.e.f. 1st April, 2018, upon conclusion of his earlier tenure on 31st March, 2018.

As required vide Section 152 of the Companies Act, 2013, Dr.(Mrs) Cibi Mammen and Mrs. Ambika Mammen, Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment.

The notice convening the Annual General Meeting includes the proposal for the above re-appointments.

The Company has received declaration of independence from all the Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## Performance evaluation of the Board, its Committees and Directors

The Board of Directors has made a formal annual evaluation of its own performance and that of its committees pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015. The evaluation was done based on the evaluation criteria formulated by Nomination and Remuneration Committee which includes criteria such as fulfilment of specific functions prescribed by the regulatory framework, adequacy of board meetings, attendance and effectiveness of the deliberations etc.

The Board and the Nomination and Remuneration Committee also carried out an evaluation of the performance of the individual Directors (excluding the Director who was evaluated) based on their attendance, participation in deliberations, understanding the Company's business and that of the industry and in guiding the Company in decisions affecting the business and additionally in case of Independent Directors based on the roles and responsibilities as specified in Schedule IV of the Companies Act, 2013.

## Corporate Governance

In accordance with Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on Corporate Governance along with the Auditors' Certificate confirming compliance is attached and forms part of this Annual Report.

The information pertaining to the number of Board meetings held, the constitution of the Audit Committee, Remuneration Policy of the Company, criteria under section 178(3) of the Companies Act, 2013, Related Party Transactions and the Vigil Mechanism as required under the various provisions of the Companies Act, 2013, have been disclosed in the Corporate Governance Report, which forms part of this report. The details of related party transactions are given in note 27(e) of the financial statements.

## Business Responsibility Report

Business Responsibility Report as per Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, detailing the various initiatives taken by the Company on the environment, social and governance aspects of business, forms part of this Annual Report.

## Particulars of Employees

The disclosures pertaining to remuneration and other details of Directors and employees as required under section 197(12) of the Companies Act, 2013 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been provided in the appendix forming part of this report. Having regard to the provisions of Section 136(1) read with relevant provisions of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished to the members.

During the financial year under review, the Company has not received any complaint under The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

## Deposits

Your Company has not accepted any deposits during the financial year ended 31st March, 2018. There were no deposits which remain unclaimed as at the close of the financial year ended 31st March, 2018.

There were no defaults in respect of repayment of any deposits or payment of interest thereon during the financial year under review.

## Awards received during the year

Your Company has been awarded the Highest Export Award 2016-17, by All India Rubber Industries Association (AIRIA).

## Auditors

Messrs. SCA AND ASSOCIATES (Firm Regn. No.101174W), and Messrs. Mahesh, Virender & Sriram (Firm Regn. No.001939S) were appointed joint statutory auditors of the Company for a term of 5 (five) consecutive years, at the Annual General Meeting of the company held on 11th August,2016 and 4th August,2017.They have confirmed that they are not disqualified from continuing as joint statutory auditors of the Company.

Auditors Report to the shareholders for the financial year ended 31st March, 2018, does not contain any qualification.

## Cost Audit

The Board of Directors, on the recommendations of the Audit Committee, has approved the re-appointment of Mr C. Govindan Kutty, Cost Accountant (Mem. No. 2881), as Cost Auditor of the Company for the financial year ending 31st March, 2019, under section 148 of the Companies Act, 2013, and recommends ratification of his remuneration by the shareholders at the forthcoming Annual General Meeting of the Company.

## Secretarial Audit

Pursuant to provisions of Section 204 of the Companies Act, 2013 read with rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company engaged the services of Mr K Elangovan, Elangovan Associates, Company Secretaries, Chennai to conduct the Secretarial Audit of the Company for the financial year ended 31st March, 2018. The Secretarial Audit Report (in Form MR-3) is attached as Annexure-III, to this Report. The Secretarial Auditor's Report to the shareholders does not contain any qualification.

## Extract of Annual Return

An extract of Annual Return in Form MGT-9 as on 31st March, 2018 is attached as Annexure-IV to this Report.

## Other Matters

There are no material changes and commitments affecting the financial position of the Company between the financial year ended 31st March, 2018 and the date of this report.

During the year under review, there were no material and significant orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

Details of loans, guarantees and investments as required under the Companies Act, 2013 are given in the Notes to the financial statements (Note 3 and 27).

During the year under review, the Board confirms that the Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

During the year under review, no fraud has been reported by the auditors to the audit committee or the board.

## Appreciation

Your Directors place on record their appreciation of the invaluable contribution made by the Company's employees which made it possible for the Company to achieve these results. They would also like to take this opportunity to thank customers, dealers, suppliers, bankers, financial institutions, business associates and valued shareholders for their continued support and encouragement.

On behalf of the Board of Directors

Chennai
3rd May, 2018

K M MAMMEN
Chairman & Managing Director

## ANNEXURE I TO THE BOARD'S REPORT

### A. CONSERVATION OF ENERGY

Conservation of Energy is a key focus area in operations and we have a continual improvement programme to reduce specific consumption of fuel, power and water. Benchmarking of best performance, base lining of best consumption and identification of losses is used in setting targets. Energy management system implementation have started in plants. Focus on renewable energy, alternate sources and clean sources of energy are being explored.

(i) The steps taken or impact on energy conservation:

The following measures implemented to reduce specific fuel consumption:

a) Capturing of actual steam consumption data at micro level to arrive at the benchmarks and action to optimize consumptions.

b) Extension of best OEM features to other machines for optimal consumption.

c) Reduction in steam consumption by recovering waste heat from process.

d) Process improvements to optimize the energy consumption.

e) Energy audits from external agencies to identify losses and suggestions for improvement.

f) Improved insulation for curing press and pipe line networks.

The following measures were implemented to reduce specific power consumption:

a) Process improvements to minimize compressed air specific power consumption.

b) Improvements in equipment line speeds to optimize specific power consumption.

c) Introduction of closed loop mechanism to minimize variations in process consumption.

d) Capturing of actual power consumption data at micro level to arrive at the benchmarks and action to optimize consumptions.

(ii) Steps taken by the company for utilizing alternative source of energy:

The following steps were taken by company to increase utilization/alternate source of energy:

a) Power purchase from open access using power exchanges, ensures significant portion of power drawn is from renewable hydro-electric and Wind based power.

b) Conservation of Rain water from roof drains and surface run-off through harvesting ponds.

c) Evaluation of factory roof mounted solar power plants is under consideration.

d) Evaluation of waste heat usage from process for utilization in ventilation and air conditioning process requirements.

(iii) Capital Investment on Energy conservation projects:

Investments have been carried out for energy conservation proposals resulting in long term saving impact and reduction of losses in the system.

Key projects initiated during the year are listed below:

a) Conversion of pneumatic systems to motorized systems to minimize compressed air specific power consumption.

b) Process changes resulting in reduced consumption of steam and power.

c) Use of energy efficient lighting system.

d) Initiation of Energy management system (EnMS) across plants.

e) Usage of Variable frequency drives (VFD's) in pumps and Blowers.

f) Compressed air management system for compressors.

g) Improved monitoring system with alerts in steam distribution Networks.

Key on – going proposals are as listed below:

i) Tools to improve data analytics capability.

ii) Implementation of Energy management system (EnMS) in all plants.

iii) Reduction of Furnace oil (FO) based steam generation with alternate fuels.

iv) Feasibility studies for Thermic fluid system in place of steam system.

**B. TECHNOLOGY ABSORPTION**

1. Efforts made towards Technology Absorption.

   In striving for continuous excellence in technology and product performance, several innovative projects were started with educational Institutions and universities in India and abroad.

   The projects involve better scientific understanding of materials and interfaces, new materials, development of new designs, patterns, NVH and tyre simulations with a view to reduce the rolling resistance, improved wet grip and noise of tyres.

   Simulation and modelling capabilities are adopted in our design process to predict heat development in various components in tyres and also in product failure mode analysis.

   To meet the continuous customer demand in meeting the various requirement of tyres like reducing rolling resistance, improved grip and mileage, various new raw materials are evaluated in the global market, validated and verified before incorporating in the tyres.

   Key product Developments:

   Your company's Research and Development capability helped the company to indigenously develop the aero muscle tyre for the IAF Sukhoi to the Indian Air Force.

   The company's continued efforts in the technology domain is manifested by the market launch of passenger car tyre under the brand name "PERFINZA" for the premium range of cars.

   The company continues its leadership position in India and various awards were received from the customers in recognition of our capabilities and performance in quality.

   Development of low rolling resistance tyres to conform to the regulation standard R117 and AIS 142. This is expected to improve the fuel efficiency of the tyre.

   Around 60 new sizes of tyres were developed to meet the domestic and international markets.

2. Benefits derived as a result of the above efforts:

   Development of low rolling resistance tyres will improve the fuel efficiency and improve the safety standard due to high wet grip.

   Materials group has embarked on developing import substitution of raw materials helping in availability and cost saving like resins, rubber and wax.

3. Details of imported Technology (Imported during last 3 years reckoned from the beginning of the Financial year):

   Technology was not imported for the last three years. Your company continues to be self reliant from 1995 onwards upholding Govt. of India's vision of "Make in India" concept.

4. Expenditure incurred on Research and Development:

(₹ Crores)

| | 2017 - 2018 | 2016 - 2017 |
|---|---|---|
| R & D Expenses | | |
| (a) Capital | 110.86 | 158.92 |
| (b) Recurring | 48.10 | 40.76 |
| **Total** | 158.96 | 199.68 |

**C. FOREIGN EXCHANGE EARNINGS & OUTGO**

(₹ Crores)

| | 2017 - 2018 |
|---|---|
| **Foreign Exchange Earnings:** | |
| FOB Value of Exports | 1145.82 |
| Freight & Insurance | 10.65 |
| Dividend | 0.18 |
| Others | 3.06 |
| | 1159.71 |
| **Foreign Exchange Outgo:** | 3497.73 |

On behalf of the Board of Directors,

Chennai
3rd May,2018

K M MAMMEN
Chairman & Managing Director

**ANNEXURE II TO THE BOARD'S REPORT**

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

   The CSR activities carried out by the Company are in accordance with the CSR Policy, as formulated by the CSR Committee and approved by the Board. The broad objectives, as stated in the CSR Policy, includes supporting causes concerning healthcare, education, rural development, skill development, sports training and environment protection. The CSR policy is available on the Company's website and the web-link is: http: //www.mrftyres.com/download.php?filename=csrpolicy. pdf.

2. The Composition of the CSR Committee:

   Mr. K M Mammen – Chairman

   Mr. Arun Mammen – Member

   Mr. Rahul Mammen Mappillai – Member

   Mr. Ranjit I Jesudasen – Member

3. Average net profit of the Company for last three financial years : ₹ 2151.85 Crore.
4. Prescribed CSR expenditure (two per cent of the average net profit of the last three financial years): ₹ 43.04 Crore.
5. Details of CSR spent during the financial year ended 31.03.2018:

   (a) Total amount spent for the financial year ended 31.03.2018: ₹ 9.49 Crore.

   (b) Amount unspent, if any: ₹ 33.55 Crore.

   (c) Manner in which the amount spent during the financial year ended 31.03.2018 is detailed below:

(₹ Crores)

| Sl. No. | CSR Project or activity identified | Sector in which the project is covered | Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the project or programs Sub heads: (1) Direct expenditure on project or programs (2) Overheads | Cumulative expenditure upto the reporting period | Amount spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|
| 1 | Providing training for development of pace bowlers through MRF Pace Foundation | Training to promote sports | Chennai Tamil Nadu | 6.08 | 4.165 | 4.165 | Direct |
| 2 | Training for under privileged youngsters to become commercial vehicle drivers through MRF Institute of Driver Development. | Vocational Skills | Chennai Tamil Nadu | 1.22 | 1.01 | 1.01 | Direct |

| Sl. No. | CSR Project or activity identified | Sector in which the project is covered | Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the project or programs Sub heads: (1) Direct expenditure on project or programs (2) Overheads | Cumulative expenditure upto the reporting period | Amount spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|
| 3 | Construction of Mahila Mandal for Dhatwada Village / Pre-primary school/ Community Hall for Usgao Village etc. | Rural development project/ Promotion of education | Goa | 2.15 | 0.31 | 0.33 | Direct |
| 4. | Buying school bus to take care of travel arrangement of the students of Balikamatom Higher Secondary School for Girls, Tiruvalla, Kerala. | Promotion of education | Tiruvalla Kerala | 0.185 | 0.185 | 0.185 | Through implementing agency – Balikamatom Higher Secondary School for Girls, Tiruvalla, Kerala. |
| 5. | Providing midday meals for children in the make shift school and for uniforms, books, bags and stationeries for the school going underprivileged children | Promotion of education | Kolkata West Bengal | 0.04 | 0.04 | 0.04 | Through implementing agency – Women and Infants in Need (WIIN), a Non Government Organisation, Kolkata. |
| 6. | Replacement of CFL Streetlights with LED lights in the local area near the Company's Kottayam unit | Promotion of Rural Development Projects | Kottayam Kerala | 0.02 | 0.02 | 0.02 | Direct |
| 7. | Notebooks to school children of Gomantak Vidyalaya, Piliem-Dharbandoda, Goa. | Promotion of education | Piliem-Dharbandoda Goa | 0.013 | 0.012 | 0.012 | Direct |
| 8. | Provision of CCTV cameras on National Highway in the vicinity of the Company's Medak Unit and around Sadashivpet police station | Promotion of education | Medak Telangana | 0.08 | 0.08 | 0.08 | Direct |
| 9. | Plantation of tree saplings in the vicinity of Medak Unit | Environmental Sustainability | Medak Telangana | 0.125 | 0.025 | 0.025 | Direct |
| 10. | Fixing of doors for individual household toilets constructed under the Prime Minister's Swachh Bharath India Scheme at Arkonam | Promotion of Rural Development Projects | Arkonam Tamil Nadu | 0.03 | 0.03 | 0.03 | Through implementing agency - Arkonam Municipality |

| Sl. No. | CSR Project or activity identified | Sector in which the project is covered | Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise | Amount spent on the project or programs Sub heads: (1) Direct expenditure on project or programs (2) Overheads | Cumulative expenditure upto the reporting period | Amount spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|
| 11. | Purchase of Cardiac Ambulances fitted with latest equipments in the state of Goa | Promotion of Healthcare | Goa | 1.50 | 1.50 | 1.50 | Through implementing agency - Directorate of Health Services, Goa |
| 12. | Supply and installation of Solar Photovoltaic LED street lighting system in the backward villages of Pali, Rajasthan | Environmental Sustainability | Pali Rajasthan | 10.72 | 1.26 | 1.26 | Direct |
| 13. | Construction of classrooms in Constituent Model Arts & Science College for women at Veppur, Tamil Nadu | Promotion of education | Veppur Tamil Nadu | 0.85 | 0.85 | 0.85 | Through implementing agency - District collector, Perambalur |

6. Reasons for not spending the amount during the financial year ended 31.03.2018:

The Company has been engaging in socially relevant projects viz., MRF Pace Foundation (which provides training for promising youngsters to become pace bowlers of national and international standard) and MRF Institute of Driver Development (which trains under privileged youngsters to become competent drivers), well before the requirements of CSR became a legal requirement. These projects are being carried on for about two decades. These on-going projects were continued under the new regulatory framework and certain new CSR projects have also been identified and implemented.

During the last quarter of the financial year and in May 2018, the Committee has recommended various CSR projects (including two major projects) aggregating to Rs.25.73 Crore. Since these projects could be identified for implementation by the Company only during the later part of the year, the total amount required to be spent as per regulatory requirements in 2017-2018 could not be done. Moreover, the Company is also considering various proposals for undertaking long term infrastructure development for its ongoing CSR initiatives. The above initiatives, when implemented, is expected to take care of the unspent amount of earlier years which was required to be incurred by the Company to fulfil its obligations as per Section 135 of the Companies Act, 2013 and also will go a long way in fulfilling the obligations of the Company towards CSR requirements for financial year 2018-2019.

7. The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with CSR objectives and Policy of your Company.

Chennai
3rd May, 2018

Arun Mammen
Vice Chairman and
Managing Director

K M Mammen
Chairman & Managing Director
and Chairman of CSR Committee

## ANNEXURE III TO THE BOARD'S REPORT

### FORM NO. MR - 3

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018
(Pursuant to Section 204(1) of the Companies Act, 2013 and
Rule 9 of the Companies (Appointment and Remuneration of
Managerial Personnel) Rules, 2014)

To,
The Members,
MRF LIMITED, Chennai - 600 006.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by MRF LIMITED (CIN: L25111TN1960PLC004306) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31st March, 2018 has complied with the statutory provisions listed hereunder and also that the Company has proper Board – processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereunder.

I have examined the books, papers, minutes books, forms and returns filed and other records maintained by the Company for the financial year ended 31st March,2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and external commercial borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange of Board of India (Issue of capital and disclosure requirements) Regulations, 2009;

d) The Securities and Exchange Board of India (Issue and listing of debt securities) Regulations, 2008;

e) The Securities and Exchange Board of India (Registrars to an issue and Share Transfer Agents) Regulations, 1993 regarding the Act and dealing with client;

f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

g) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998.

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

1. Secretarial Standards issued by the Institute of Company Secretaries of India;

2. The Listing Agreements entered into by the Company with Bombay Stock Exchange Ltd. and National Stock Exchange Ltd.;

3. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

I have reviewed the systems and mechanisms established by the Company for ensuring compliance under applicable Acts, Rules, Regulations and other legal requirements of the Central, State and other Government and local authorities concerning the business and affairs of the Company categorized under the following major heads/groups, and report that there are adequate system and processes in the Company, commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines:

1. Factories Act, 1948;

2. Labour laws and other incidental laws related to labour and employees appointed by the Company including those on

contractual basis as relating to wages, gratuity, prevention of sexual harassment, dispute resolution, welfare, provident fund, insurance, compensation etc.;

3. Industries (Development & Regulation) Act, 1991;
4. Acts relating to consumer protection;
5. Acts and Rules prescribed under prevention and control of pollution;
6. Acts and Rules relating to environmental protection and energy conservation;
7. Acts and Rules relating to hazardous substances and chemicals;
8. Acts and Rules relating to electricity, fire, petroleum, motor vehicles, explosives, boilers etc.;
9. Acts relating to protection of IPR;
10. Acts and Rules relating to the industry to which this Company belongs;
11. Land revenue laws; and
12. Other local laws as applicable to various plants and offices.

I further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Woman Director. Two Directors have been inducted into the Board during the period under review and were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting. All decisions are carried out unanimously as recorded in the minutes of the Meeting.

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

I further report that during the audit period the Company has passed Special Resolutions to amend Article 117 of the Articles of Association and to increase the number of directors beyond fifteen.

K. ELANGOVAN
Company Secretary in Practice
FCS No.1808, CP No. 3552

Place: Chennai
Date: 3rd May, 2018

This report is to be read with my testimony of even date which is annexed as Annexure A and forms an integral part of this report.

**Annexure A**

To,
The Members,
MRF LIMITED, Chennai - 600 006.

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and books of account of the Company.

4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

K. ELANGOVAN
Company Secretary in Practice
FCS No.1808, CP No. 3552

Place: Chennai
Date: 3rd May, 2018

ANNEXURE IV TO THE BOARD'S REPORT

**FORM NO. MGT 9**
**EXTRACT OF ANNUAL RETURN**
**For the Financial Year ended 31.03.2018**

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

| | | |
|---|---|---|
| **I** | **REGISTRATION & OTHER DETAILS** | |
| i | CIN | L25111TN1960PLC004306 |
| ii | Registration Date | 5th November, 1960 |
| iii | Name of the Company | MRF LIMITED |
| iv | Category/Sub-category of the Company | Public Company / Limited by Shares |
| v | Address of the Registered Office & contact details | No. 114, Greams Road, Chennai - 600 006 Tel: 044-28292777, Fax: 044-28295087 e-mail: mrfshare@mrfmail.com |
| vi | Whether listed Company | Yes |
| vii | Name, Address & contact details of the Registrar & Transfer Agent, if any. | IN HOUSE SHARE REGISTRY |
| | | MRF Limited |
| | | No. 114, Greams Road, Chennai - 600 006 Tel: 044-28292777, Fax: 044-28295087, e-mail: mrfshare@mrfmail.com |

| | | | |
|---|---|---|---|
| **II** | **PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY** | | |
| All the business activities contributing 10% or more of the total turnover of the company shall be stated: | | | |
| **Sl. No.** | **Name & Description of main products/services** | **NIC Code of the Product /service** | **% to total turnover of the Company** |
| 1 | Manufacture and sale of Automotive Tyres, Tubes, Flaps etc., | 221 | 100% |

| | | | | | |
|---|---|---|---|---|---|
| **III** | **PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES** | | | | |
| **Sl. No.** | **Name & Address of the Company** | **CIN/GLN** | **Holding/Subsidiary/ Associate** | **% of Shares held** | **Applicable Section** |
| 1 | MRF Corp Ltd. | U65929TN1985PLC012156 | Wholly Owned Subsidiary | 100% | 2(87) |
| 2 | MRF International Ltd. | U25111TN1992PLC023695 | Subsidiary Company | 95% | 2(87) |
| 3 | MRF Lanka (P) Ltd. | Company Incorporated Outside India | Wholly Owned Subsidiary | 100% | 2(87) |
| 4 | MRF SG Pte Ltd. | Company Incorporated Outside India | Wholly Owned Subsidiary | 100% | 2(87) |

## IV SHAREHOLDING PATTERN (Equity Share capital breakup as % of total Equity)

### (i) Category-wise Shareholding

| Category of Shareholder's | No. of Shares held as on 01-04-2017 | | | | No. of Shares held as on 31-03-2018 | | | | % change during the financial year ended 31.03.2018 |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | 548652 | - | 548652 | 12.94 | 538923 | - | 538923 | 12.71 | -0.23 |
| b) Central Govt. / State Govt.(s) | - | - | | - | - | | | - | - |
| c) Bodies Corporates | 593213 | - | 593213 | 13.98 | 602532 | - | 602532 | 14.21 | 0.23 |
| d) Banks/FI | - | - | - | - | - | - | - | - | - |
| e) Any other | - | - | - | - | - | - | - | - | - |
| SUB-TOTAL: (A) (1) | 1141865 | - | 1141865 | 26.92 | 1141455 | - | 1141455 | 26.92 | 0.00 |
| (2) Foreign | | | | | | | | | |
| a) NRI- Individuals | 19107 | - | 19107 | 0.45 | 26381 | | 26381 | 0.62 | 0.17 |
| b) Other Individuals | - | - | - | - | - | - | - | - | - |
| c) Bodies Corporates | - | - | - | - | - | - | - | - | - |
| d) Banks/FI | - | - | - | - | - | - | - | - | - |
| e) Any other | - | - | - | - | - | - | - | - | - |
| SUB-TOTAL: (A) (2) | 19107 | - | 19107 | 0.45 | 26381 | - | 26381 | 0.62 | 0.17 |
| Total Shareholding of Promoter (A) = (A)(1)+(A)(2) | 1160972 | | 1160972 | 27.37 | 1167836 | | 1167836 | 27.54 | 0.17 |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| a) Mutual Funds/UTI | 268846 | 100 | 268946 | 6.34 | 413233 | 100 | 413333 | 9.75 | 3.41 |
| b) Banks/FI | 3213 | 1495 | 4708 | 0.11 | 3083 | 1493 | 4576 | 0.11 | 0.00 |
| c) Central Govt. | - | - | - | - | - | - | - | - | - |
| d) State Govt.(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) Insurance Companies | 142193 | - | 142193 | 3.35 | 146155 | - | 146155 | 3.45 | 0.10 |
| g) FII's | 457266 | 100 | 457366 | 10.78 | 345675 | 100 | 345775 | 8.15 | -2.63 |
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| i) Others (specify) | - | - | - | - | - | - | - | - | - |
| SUB-TOTAL (B)(1): | 871518 | 1695 | 873213 | 20.59 | 908146 | 1693 | 909839 | 21.45 | 0.86 |
| (2) Non-Institutions | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| i) Indian | 378942 | 663324 | 1042266 | 24.58 | 362240 | 663214 | 1025454 | 24.18 | -0.40 |
| ii) Overseas | - | - | - | - | - | - | - | - | - |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto ₹1 lakh | 673467 | 130530 | 803997 | 18.96 | 684613 | 92706 | 777319 | 18.33 | -0.63 |
| ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | - | 360695 | 360695 | 8.50 | - | 360695 | 360695 | 8.50 | 0.00 |
| c) Others (specify) | - | - | - | - | - | - | - | - | - |
| SUB-TOTAL (B)(2) | 1052409 | 1154549 | 2206958 | 52.04 | 1046853 | 1116615 | 2163468 | 51.01 | -1.03 |
| Total Public Shareholding (B)= (B)(1)+(B)(2) | 1923927 | 1156244 | 3080171 | 72.63 | 1954999 | 1118308 | 3073307 | 72.46 | -0.17 |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | 3084899 | 1156244 | 4241143 | 100.00 | 3122835 | 1118308 | 4241143 | 100.00 | 0 |

## (ii) Shareholding of Promoters

| Sl. No. | Shareholder's Name | Shareholding as on 01-04-2017 | | | Shareholding as on 31-03-2018 | | | % change in shareholding during the financial year ended 31.03.2018 |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | |
| 1 | Mr. K M MAMMEN | 16048 | 0.38 | - | 16048 | 0.38 | - | - |
| 2 | Mrs. AMBIKA MAMMEN | 2489 | 0.06 | - | 2489 | 0.06 | - | - |
| 3 | Mr. RAHUL MAMMEN MAPPILLAI | 4538 | 0.11 | - | 4538 | 0.11 | - | - |
| 4 | Mr. SAMIR THARIYAN MAPPILLAI | 4470 | 0.11 | - | 4470 | 0.11 | - | - |
| 5 | Mrs. MEERA MAMMEN | 15840 | 0.37 | - | 15840 | 0.37 | - | - |
| 6 | Mr. VARUN MAMMEN | 8706 | 0.21 | - | 8706 | 0.21 | - | - |
| 7 | Mrs. ADITI MAMMEN | 4741 | 0.11 | - | 4741 | 0.11 | - | - |
| 8 | Mr. ARUN MAMMEN | 27560 | 0.65 | - | 27560 | 0.65 | - | - |
| 9 | Mrs. CIBI MAMMEN | 500 | 0.01 | - | 500 | 0.01 | - | - |
| 10 | Mrs. RAMANI JOSEPH | 2509 | 0.06 | - | 2509 | 0.06 | - | - |
| 11 | Mr. KIRAN JOSEPH | 2100 | 0.05 | - | 2100 | 0.05 | - | |
| 12 | Mr. JOSEPH K S | 905 | 0.02 | - | 905 | 0.02 | - | - |
| 13 | Mrs. ANNU KURIEN | 12640 | 0.30 | - | 12640 | 0.30 | - | - |
| 14 | Mrs. MARY KURIEN | 10839 | 0.26 | - | 10839 | 0.26 | - | - |
| 15 | Mrs. SARAH THOMAS | 12664 | 0.30 | - | 12664 | 0.30 | - | - |
| 16 | Mrs. ANNAMMA PHILIP | 12700 | 0.30 | 0.13 | 12700 | 0.30 | 0.01 | - |
| 17 | Mr. MAMMEN PHILIP | 11000 | 0.26 | - | 10700 | 0.25 | - | -0.01 |
| 18 | Mr. PETER PHILIP | 2352 | 0.06 | - | 2352 | 0.06 | - | - |
| 19 | Mrs. MEERA PHILIP | 33627 | 0.79 | - | 33627 | 0.79 | - | - |
| 20 | Mr. ADITH POULOSE MAMMEN | 1635 | 0.04 | - | 1635 | 0.04 | - | - |
| 21 | Ms. RADHIKA MARIA MAMMEN | 100 | 0.00 | - | 100 | 0.00 | - | - |
| 22 | Mr. ROHAN MATHEW MAMMEN | 1635 | 0.04 | - | 1635 | 0.04 | - | - |
| 23 | Mrs. THANGAM MAMMEN | 5981 | 0.14 | - | 5981 | 0.14 | - | - |
| 24 | Mr. CHALAKUZHY POULOSE MAMMEN | 1030 | 0.02 | - | 1030 | 0.02 | - | - |
| 25 | Mr. PHILIP MATHEW | 11762 | 0.28 | - | 11762 | 0.28 | - | - |
| 26 | Mrs. BINA MATHEW | 1568 | 0.04 | - | 1568 | 0.04 | - | - |
| 27 | Mr. AMIT MATHEW | 4520 | 0.11 | - | 4520 | 0.11 | - | - |
| 28 | Mr. RIYAD MATHEW | 4520 | 0.11 | - | 4520 | 0.11 | - | - |
| 29 | Ms. SHREYA JOSEPH | 5120 | 0.12 | - | 5120 | 0.12 | - | - |
| 30 | Mr. MAMMEN MATHEW | 11015 | 0.26 | - | 11015 | 0.26 | - | - |
| 31 | Mrs. PREMA MAMMEN MATHEW | 10881 | 0.26 | - | 10881 | 0.26 | - | - |
| 32 | Mr. JAYANT MAMMEN MATHEW | 2190 | 0.05 | - | 2190 | 0.05 | - | - |
| 33 | Ms. MARIAM MAMMEN MATHEW | 100 | 0.00 | - | 100 | 0.00 | - | - |
| 34 | Mr. JACOB MATHEW | 20977 | 0.49 | - | 20977 | 0.49 | - | - |
| 35 | Mrs. AMMU MATHEW | 2650 | 0.06 | - | 2650 | 0.06 | - | - |
| 36 | Mr. HARSHA MATHEW | 1250 | 0.03 | - | 1250 | 0.03 | - | - |
| 37 | Ms. MALINI MATHEW | 1800 | 0.04 | - | 1800 | 0.04 | - | - |

| Sl. No. | Shareholder's Name | Shareholding as on 01-04-2017 | | | Shareholding as on 31-03-2018 | | | % change in shareholding during the financial year ended 31.03.2018 |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | |
| 38 | COMPREHENSIVE INVESTMENT AND FINANCE COMPANY PVT. LTD. | 438914 | 10.35 | - | 439844 | 10.37 | - | 0.02 |
| 39 | PENINSULAR INVESTMENTS PRIVATE LIMITED | 123497 | 2.91 | - | 123937 | 2.92 | - | 0.01 |
| 40 | Mr. MAMMEN EAPEN | 4128 | 0.10 | - | 4128 | 0.10 | - | - |
| 41 | Mrs. OMANA MAMMEN | 4703 | 0.11 | - | 4703 | 0.11 | - | - |
| 42 | Ms. SHILPA MAMMEN | 4410 | 0.10 | - | 4410 | 0.10 | - | - |
| 43 | Ms. SHIRIN MAMMEN | 5900 | 0.14 | - | 5900 | 0.14 | - | - |
| 44 | Mrs. SARA LUKOSE | 4168 | 0.10 | - | 4168 | 0.10 | - | - |
| 45 | Mrs. GEETHA ZACHARIAH | 4029 | 0.09 | - | 4029 | 0.09 | - | - |
| 46 | Mrs. MEERA NINAN | 4081 | 0.10 | - | 4081 | 0.10 | - | - |
| 47 | Mrs. SUSY THOMAS | 5278 | 0.12 | - | 5278 | 0.12 | - | - |
| 48 | Ms. ANNA THOMAS CHACKO | 1291 | 0.03 | - | 1291 | 0.03 | - | - |
| 49 | Mrs. ASWATHY VARGHESE | 9450 | 0.22 | - | 9450 | 0.22 | - | - |
| 50 | Ms. ROSHIN VARGHESE | 6679 | 0.16 | - | 6679 | 0.16 | - | - |
| 51 | Mrs. SUSAN KURIAN | 10350 | 0.24 | - | 10350 | 0.24 | - | - |
| 52 | Ms. HANNAH KURIAN | 600 | 0.01 | - | 600 | 0.01 | - | - |
| 53 | Mrs. TARA JOSEPH | 2800 | 0.07 | - | 2800 | 0.07 | - | - |
| 54 | Ms. REBECCA JOSEPH | 350 | 0.01 | - | 350 | 0.01 | - | - |
| 55 | Mrs. SOMA PHILIPS | 2000 | 0.05 | - | 2000 | 0.05 | - | - |
| 56 | Mr. PETER K PHILIPS | 2341 | 0.06 | - | 2341 | 0.06 | - | - |
| 57 | Mr. JOSEPH KANIANTHRA PHILIPS | 1000 | 0.02 | - | 1000 | 0.02 | - | - |
| 58 | Mrs. ELIZABETH JACOB MATTHAI | 4000 | 0.09 | - | 4000 | 0.09 | - | - |
| 59 | Mrs. THANKAMMA JACOB | 16096 | 0.38 | - | 16096 | 0.38 | - | - |
| 60 | Mrs. BEEBI MAMMEN | 20237 | 0.48 | - | 20237 | 0.48 | - | - |
| 61 | Mr. JACOB MAMMEN | 35111 | 0.83 | - | 35111 | 0.83 | - | - |
| 62 | Mr. ROY MAMMEN | 11458 | 0.27 | - | 11458 | 0.27 | - | - |
| 63 | Mrs. RACHEL KATTUKARAN | 2587 | 0.06 | - | 2587 | 0.06 | - | - |
| 64 | Mrs. ACCAMMA KURUVILLA | 2348 | 0.06 | - | 2348 | 0.06 | - | - |
| 65 | Mrs. ANITA MANI | 1344 | 0.03 | - | 1344 | 0.03 | - | - |
| 66 | Mrs. USHA EAPEN GEORGE | 1329 | 0.03 | - | 1253 | 0.03 | - | 0.00 |
| 67 | Mr. VIKRAM KURUVILLA | 180 | 0.00 | - | 151 | 0.00 | - | 0.00 |
| 68 | Mr. KANDATHIL MATHEW JACOB | 28 | 0.00 | - | 28 | 0.00 | - | - |
| 69 | Mrs. ASHWATHI JACOB | 151 | 0.00 | - | 151 | 0.00 | - | - |
| 70 | Mr. M A MATHEW | 6595 | 0.16 | - | 6595 | 0.16 | - | - |
| 71 | Mrs. SHONA BHOJNAGARWALA | 50 | 0.00 | - | 50 | 0.00 | - | - |
| 72 | Mrs. PREMINDA JACOB | 98 | 0.00 | - | 98 | 0.00 | - | - |
| 73 | Mrs. MARIEN MATHEW | 160 | 0.00 | - | 160 | 0.00 | - | - |
| 74 | Mrs. LATHA MATTHEW | 5723 | 0.13 | - | 5723 | 0.13 | - | - |
| 75 | Miss. NISHA SARAH MATTHEW | 164 | 0.00 | - | 164 | 0.00 | - | - |

| Sl. No. | Shareholder's Name | Shareholding as on 01-04-2017 | | | Shareholding as on 31-03-2018 | | | % change in shareholding during the financial year ended 31.03.2018 |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | |
| 76 | Miss. NITHYA SUSAN MATTHEW | 169 | 0.00 | - | 169 | 0.00 | - | - |
| 77 | Mrs. SHANTA MAMMEN | 3438 | 0.08 | - | 3438 | 0.08 | - | - |
| 78 | Mr. GEORGE MAMMEN | 2308 | 0.05 | - | 2308 | 0.05 | - | - |
| 79 | Dr. ANNA RAPHAEL | 258 | 0.01 | - | 258 | 0.01 | - | - |
| 80 | Mr. MICAH MAMMEN PARAMBI | 100 | 0.00 | - | 100 | 0.00 | - | - |
| 81 | Miss. MARIA MAMMEN | 84 | 0.00 | - | 84 | 0.00 | - | - |
| 82 | Ms. MARIKA MAMMEN APPIAH | 100 | 0.00 | - | 100 | 0.00 | - | - |
| 83 | Mr. ASHOK KURIYAN | 1878 | 0.04 | - | 1878 | 0.04 | - | - |
| 84 | Mrs. SARA KURIYAN | 1873 | 0.04 | - | 1880 | 0.04 | - | 0.00 |
| 85 | Mr. KIRAN KURIYAN | 404 | 0.01 | - | 403 | 0.01 | - | 0.00 |
| 86 | Mr. ZACHARIAH KURIYAN | 3411 | 0.08 | - | 3411 | 0.08 | - | - |
| 87 | Mrs. REENU ZACHARIAH | 517 | 0.01 | - | 517 | 0.01 | - | - |
| 88 | Mr. K Z KURIYAN | 650 | 0.02 | - | 650 | 0.02 | - | - |
| 89 | Mr. K K MAMMEN MAPPILLAI | 7402 | 0.17 | - | 7402 | 0.17 | - | - |
| 90 | Mrs. GEETHA MAMMEN | 250 | 0.01 | - | 250 | 0.01 | - | - |
| 91 | DEVON MACHINES PVT. LTD. | 1000 | 0.02 | - | 1000 | 0.02 | - | - |
| 92 | M M HOUSING PRIVATE LIMITED | 179 | 0.00 | - | 179 | 0.00 | - | - |
| 93 | MAMMEN MAPPILLAI INVESTMENTS LTD. | 1209 | 0.03 | - | 1209 | 0.03 | - | - |
| 94 | THE MALAYALA MANORAMA COMPANY LIMITED | 6109 | 0.14 | - | 6109 | 0.14 | - | - |
| 95 | BADRA ESTATES AND INDUSTRIES LIMITED | 7180 | 0.17 | - | 7180 | 0.17 | - | - |
| 96 | Mr. ARJUN JOSEPH | 2100 | 0.05 | | 2100 | 0.05 | | - |
| 97 | Mrs. SUSAN ABRAHAM | 138 | 0.00 | - | 138 | 0.00 | - | - |
| 98 | M. M. PUBLICATIONS LIMITED | 300 | 0.01 | - | 300 | 0.01 | - | - |
| 99 | STABLE INVESTMENTS AND FINANCE COMPANY LTD. | 4314 | 0.10 | - | 4314 | 0.10 | - | - |
| 100 | KMMMF PVT. TRUST | 36987 | 0.87 | - | 36987 | 0.87 | - | - |
| 101 | Dr. K C MAMMEN | 9043 | 0.21 | - | 9043 | 0.21 | - | - |
| 102 | Mrs. SARASU JACOB | 8555 | 0.20 | - | 8499 | 0.20 | - | 0.00 |
| 103 | Mrs. ANNAMMA MAMMEN | 17265 | 0.41 | - | 17265 | 0.41 | - | - |
| 104 | Mrs. MAMY PHILIP | 9350 | 0.22 | - | 7350 | 0.17 | - | -0.05 |
| 105 | Ms. ANNA PHILIP | 350 | 0.01 | - | 350 | 0.01 | - | - |
| 106 | JCEE MANUFACTURING AND SERVICES PVT. LTD. | 3620 | 0.09 | - | 6630 | 0.16 | - | 0.07 |
| 107 | BRAGA INDUSTRIES LLP | 6891 | 0.16 | - | 11830 | 0.28 | - | 0.12 |
| 108 | SARAH CHERIAN TRUST | 4950 | 0.12 | - | 4950 | 0.12 | - | - |
| | **Total** | **1160972** | **27.37** | **0.13** | **1167836** | **27.54** | **0.01** | **0.17** |

## (iii) Change in Promoters' Shareholding

| SL. No. | Name of the Shareholder | Shareholding as on 01-04-2017 | | Increase/Decrease in Shareholding | Cumulative Shareholding during the financial year ended 31-03-2018 | |
|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the Company | | No. of Shares | % of total Shares of the Company |
| 1 | Jcee Manufacturing & Services Pvt Ltd | 3620 | 0.09 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 01-04-2017 - TRANSFER | - | - | 260 | 3880 | 0.09 |
| | 23-06-2017 - TRANSFER | - | - | 1000 | 4880 | 0.12 |
| | 23-10-2017 - TRANSFER | | | 688 | 5568 | 0.13 |
| | 24-10-2017 - TRANSFER | | | 812 | 6380 | 0.15 |
| | 15-01-2018 - TRANSFER | - | - | 250 | 6630 | 0.16 |
| 2 | Braga Industries LLP | 6891 | 0.16 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 29-06-2017 - TRANSFER | - | - | 576 | 7467 | 0.18 |
| | 30-06-2017 - TRANSFER | | | 424 | 7891 | 0.19 |
| | 07-08-2017- TRANSFER | - | - | 608 | 8499 | 0.20 |
| | 08-08-2017- TRANSFER | - | - | 634 | 9133 | 0.22 |
| | 09-08-2017- TRANSFER | - | - | 58 | 9191 | 0.22 |
| | 13-09-2017 - TRANSFER | - | - | 1000 | 10191 | 0.24 |
| | 13-12-2017- TRANSFER | - | - | 800 | 10991 | 0.26 |
| | 12-01-2018- TRANSFER | - | - | 839 | 11830 | 0.28 |
| 3 | Peninsular Investments Pvt Limited | 123497 | 2.91 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 26-09-2017 - TRANSFER | | | 310 | 123807 | 2.92 |
| | 13-12-2017 - TRANSFER | - | - | 130 | 123937 | 2.92 |
| 4 | Comprehensive Investment & Finance Co Pvt Ltd | 438914 | 10.35 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 26-09-2017 - TRANSFER | - | - | 800 | 439714 | 10.37 |
| | 13-12-2017 - TRANSFER | - | - | 130 | 439844 | 10.37 |
| 5 | Mr Mammen Philip | 11000 | 0.26 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 01-04-2017 - TRANSFER | - | - | -300 | 10700 | 0.25 |
| 6 | Mrs Sarasu Jacob | 8555 | 0.20 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 01-09-2017 - TRANSFER | - | - | 56 | 8499 | 0.20 |
| 7 | Mrs Usha Eapen George | 1329 | 0.03 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 28-04-2017 - TRANSFER | | | -1 | 1328 | 0.03 |
| | 06-06-2017 - TRANSFER | | | -50 | 1278 | 0.03 |
| | 21-03-2018 - TRANSFER | | | -10 | 1268 | 0.03 |
| | 28-03-2017 - TRANSFER | | | -15 | 1253 | 0.03 |
| 8 | Mrs Sara Kuriyan | 1873 | 0.04 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 20-04-2017 - TRANSFER | | | 3 | 1876 | 0.04 |
| | 26-04-2017 - TRANSFER | | | 3 | 1879 | 0.04 |
| | 28-09-2017 - TRANSFER | | | 1 | 1880 | 0.04 |

| SL. No. | Name of the Shareholder | Shareholding as on 01-04-2017 | | Increase/Decrease in Shareholding | Cumulative Shareholding during the financial year ended 31-03-2018 | |
|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the Company | | No. of Shares | % of total Shares of the Company |
| 9 | Mr Vikram Kuruvilla | 180 | 0.00 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 11-08-2017 - TRANSFER | | | -5 | 175 | 0.00 |
| | 22-09-2017 - TRANSFER | | | -9 | 166 | 0.00 |
| | 08-01-2018 - TRANSFER | | | -5 | 161 | 0.00 |
| | 03-02-2018 - TRANSFER | | | -5 | 156 | 0.00 |
| | 26-03-2018 - TRANSFER | | | -5 | 151 | 0.00 |
| 10 | Mr Kiran Kuriyan | 404 | 0.00 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 11-04-2017 - TRANSFER | | | -1 | 403 | 0.01 |
| 11 | Mrs Mammy Philip (Ref. note - 2) | 9350 | 0.22 | - | - | - |
| | Date wise increase / decrease with reason | | | | | |
| | 26-10-2017 - TRANSFER | | | -200 | 9150 | 0.22 |
| | 27-10-2017 - TRANSFER | | | -200 | 8950 | 0.21 |
| | 13-11-2017- TRANSFER | | | -200 | 8750 | 0.21 |
| | 14-11-2017 - TRANSFER | | | -112 | 8638 | 0.20 |
| | 15-11-2017 - TRANSFER | | | -288 | 8350 | 0.20 |
| | 16-11-2017- TRANSFER | | | -200 | 8150 | 0.19 |
| | 17-11-2017 - TRANSFER | | | -100 | 8050 | 0.19 |
| | 20-11-2017 - TRANSFER | | | -55 | 7995 | 0.19 |
| | 21-11-2017 - TRANSFER | - | - | -145 | 7850 | 0.19 |
| | 23-11-2017- TRANSFER | - | - | -175 | 7675 | 0.18 |
| | 27-11-2017 - TRANSFER | - | - | -125 | 7550 | 0.18 |
| | 22-12-2017 - TRANSFER | - | - | -200 | 7350 | 0.17 |

**Note :** 1) Except for the above, there is no change in the holding of the promoters during the financial year ended 31.03.2018.

2) Status changed from resident individual to non-resident individual during the financial year.

**(iv) Shareholding Pattern of top ten Shareholders (other than Direcors, Promoters & Holders of GDRs & ADRs)**

| Sl. No | For Each of the Top 10 Shareholders | Shareholding as on 01-04-2017 | | Cumulative Shareholding during the financial year ended 31-03-2018 | |
|---|---|---|---|---|---|
| | | No.of shares | % of total shares of the company | No of shares | % of total shares of the company |
| 1 | Aditya Birla Sun Life Trustee Private Limited | | | | |
| | At the Beginning of the year | 43416 | 1.02 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | 33058 | 0.78 | 76474 | 1.80 |
| | At the end of the year [March 31, 2018] | | | 76474 | 1.80 |
| 2 | Enam Securities Pvt Ltd | | | | |
| | At the Beginning of the year | 198990 | 4.69 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | -18990 | -0.45 | 180000 | 4.24 |
| | At the end of the year [March 31, 2018] | | | 180000 | 4.24 |
| 3 | Investor Education and Protection Fund Authority | | | | |
| | At the Beginning of the year | 0 | 0.00 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | 42178 | 0.99 | 42178 | 0.99 |
| | At the end of the year [March 31, 2018] | | | 42178 | 0.99 |
| 4 | HDFC Trustee Company Limited | | | | |
| | At the Beginning of the year | 50240 | 1.18 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | 6190 | 0.15 | 56430 | 1.33 |
| | At the end of the year [March 31, 2018] | | | 56430 | 1.33 |
| 5 | Kotak Mahindra Balance Unit Scheme | | | | |
| | At the Beginning of the year | 35443 | 0.84 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | 4181 | 0.10 | 39624 | 0.94 |
| | At the end of the year [March 31, 2018] | | | 39624 | 0.94 |
| 6 | MOWI [P] Limited | | | | |
| | At the Beginning of the year | 507984 | 11.98 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | - | - | | |
| | At the end of the year [March 31, 2018] | | | 507984 | 11.98 |
| 7 | MSWF [P] Limited | | | | |
| | At the Beginning of the year | 126855 | 2.99 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | - | - | | |
| | At the end of the year [March 31, 2018] | | | 126855 | 2.99 |
| 8 | New India Assurance Co. Ltd | | | | |
| | At the Beginning of the year | 90857 | 2.14 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | -100 | -0.00 | 90757 | 2.14 |
| | At the end of the year [March 31, 2018] | | | 90757 | 2.14 |
| 9 | General Insurance Corporation of India | | | | |
| | At the Beginning of the year | 42200 | 1.00 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | | | - | - |
| | At the end of the year [March 31, 2018] | | | 42200 | 1.00 |
| 10 | Unit Trust of India | | | | |
| | At the Beginning of the year | 79528 | 1.88 | - | - |
| | Transaction [Transfers] from April 1, 2017 upto March 31, 2018 | -35835 | -0.84 | 43693 | 1.03 |
| | At the end of the year [March 31, 2018] | | | 43693 | 1.03 |

**Notes:**

1. The Shares of the Company are traded on daily basis. Hence the date wise increase/decrease in the shareholding of the above shareholders is consolidated on the Permanent Account Number [PAN] of the shareholder. All the accounts have been consolidated on PAN basis.
2. Top ten Shareholders is as on 31.03.2018.

(v) **Shareholding of Directors & Key Managerial Personnel**

| Sl. No. | For each of the Directors & KMP | Shareholding as on 01-04-2017 | | Increase/ Decrease in shareholding | Cumulative Shareholding during the financial year ended 31-03-2018 | |
|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the Company | | No. of Shares | % of total Shares of the Company |
| 1 | Mr. K M MAMMEN | 16048 | 0.38 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 16048 | 0.38 |
| 2 | Mr. ARUN MAMMEN | 27560 | 0.65 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 27560 | 0.65 |
| 3 | Mr. RAHUL MAMMEN MAPPILLAI | 4538 | 0.11 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 4538 | 0.11 |
| 4 | Mr.SAMIR THARIYAN MAPPILLAI | 4470 | 0.11 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 4470 | 0.11 |
| 5 | Mr.VARUN MAMMEN | 8706 | 0.21 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 8706 | 0.21 |
| 6 | Dr. K C MAMMEN | 9043 | 0.21 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 9043 | 0.21 |
| 7 | Mr. ASHOK JACOB | 1856 | 0.04 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 1856 | 0.04 |
| 8 | Mr. V SRIDHAR | - | - | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | - | - |
| 9 | Mr. VIJAY R KIRLOSKAR | 355 | 0.01 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 355 | 0.01 |
| 10 | Mr. N KUMAR | - | - | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | - | - |
| 11 | Mr. RANJIT I JESUDASAN | - | - | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | - | - |
| 12 | Dr. SALIM JOSEPH THOMAS | - | - | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | - | - |
| 13 | Mr. JACOB KURIAN | 123 | 0.00 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 123 | 0.00 |
| 14 | Mr. M MEYYAPPAN | 20 | 0.00 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | | |
| | Transfer - 17.10.2017 | | | 10 | 30 | 0.00 |
| 15 | Dr [Mrs.] CIBI MAMMEN | 500 | 0.01 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 500 | 0.01 |
| 16 | Mrs. AMBIKA MAMMEN | 2489 | 0.06 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 2489 | 0.06 |
| 17 | Mr. RAVI MANNATH | - | - | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | - | - |
| 18 | Mr. MADHU P NAINAN | 4 | 0.00 | - | - | - |
| | Date wise increase / decrease with reason | - | - | - | 4 | 0.00 |

## V INDEBTEDNESS

(₹ Crores)

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

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year (as on 01.04.2017) | | | | |
| i) Principal Amount | 1155.20 | 911.64 | 5.21 | 2072.05 |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | 46.98 | 21.36 | 0.16 | 68.50 |
| **Total (i + ii + iii)** | 1202.18 | 933.00 | 5.37 | 2140.55 |
| Change in Indebtedness during the Financial Year - Prinicipal Only | | | | |
| Additions | | 59.90 | | 59.90 |
| Reduction | -426.83 | | -1.64 | -428.47 |
| Net Change | -426.83 | 59.90 | -1.64 | -368.57 |
| Indebtedness at the end of the financial year (as on 31.03.2018) | | | | |
| i) Principal Amount | 728.37 | 971.54 | 3.57 | 1703.48 |
| ii) Interest due but not paid | | | | |
| iii) Interest accrued but not due | 42.72 | 23.54 | 0.21 | 66.47 |
| **Total (i + ii + iii)** | 771.09 | 995.08 | 3.78 | 1769.95 |

## VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(In ₹)

| SL No. | Particulars of Remuneration | Mr K M Mammen [Chairman & Managing Director] | Mr Arun Mammen [Vice Chairman & Managing Director] | Mr Rahul Mammen Mappillai [Managing Director] | Mr. Samir Thariyan Mappillai [Whole Time Director] | Mr. Varun Mammen [Whole Time Director] | Total Amount |
|---|---|---|---|---|---|---|---|
| 1 | Gross Salary | | | | | | |
| | a) Salary as per Provisions contained in Section 17(1) of the Income Tax Act, 1961 | 109373623 | 102493553 | 87850441 | 7328828 | 7340170 | 314386615 |
| | b) Value of Perquisites u/s 17(2) of Income Tax Act, 1961 | 45114430 | 9681956 | 9066681 | 3398593 | 3187754 | 70449414 |
| | c) Profits in lieu of Salary under section 17(3) of Income Tax Act, 1961 | - | - | - | - | - | - |
| 2 | Stock Option | - | - | - | - | - | - |
| 3 | Sweat Equity | - | - | - | - | - | - |
| 4 | Commission | 107459274 | 99162919 | 85507471 | 7112903 | 7112903 | 306355470 |
| 5 | Others Please Specify | - | - | - | - | - | - |
| **Total** | | 261947327 | 211338428 | 182424593 | 17840324 | 17640827 | 691191499 |
| Ceiling as per the Act (₹ in Crore) | | ₹ 144.08 crore (Being 10% as the net profits of the company calculated as per section 198 of the companies Act, 2013) | | | | | |

**B. Remuneration to Other Directors** (In ₹)

| Particulars of Remuneration | Name of Directors | | | | | | | | | | | Total Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Independent Directors** | **Mr. Ashok Jacob** | **Mr. V Sridhar** | **Mr. Vijay R Kirloskar** | **Mr. N Kumar** | **Mr. Ranjit I Jesudasen** | **Dr. Salim Joseph Thomas** | **Mr. Jacob Kurien** | **Mr. M Meyyappan** | | | | |
| Fees for Attending Board / Committee Meetings | 20000 | 190000 | 40000 | 40000 | 220000 | 80000 | 180000 | 40000 | | | | 810000 |
| Commission | - | - | - | - | - | - | - | - | | | | - |
| Others | - | - | - | - | - | - | - | - | | | | - |
| Total (1) | 20000 | 190000 | 40000 | 40000 | 220000 | 80000 | 180000 | 40000 | | | | 810000 |
| **Other Non-Executive Directors** | | | | | | | | | **Dr. K C Mammen** | **Dr. (Mrs.) Cibi Mammen** | **Mrs. Ambika Mammen** | |
| Fees for Attending Board / Committee Meetings | | | | | | | | | 60000 | 80000 | 80000 | 220000 |
| Commission | | | | | | | | | - | - | - | - |
| Others | | | | | | | | | - | - | - | - |
| Total (2) | | | | | | | | | 60000 | 80000 | 80000 | 220000 |
| Total (B) = (1 + 2) | | | | | | | | | - | - | - | 1030000 |
| Total Managerial Remunaration (A + B) | | | | | | | | | | | | 692221499 |
| Ceiling as per the Act | Only Sitting fees are being paid to the Directors within the limit prescribed under the Companies Act, 2013. | | | | | | | | | | | |

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD** (In ₹)

| Sl. No. | Particulars of Remuneration | | Key Managerial Personnel | |
|---|---|---|---|---|
| | | | **Mr. Ravi Mannath (Company Secretary)** | **Mr. Madhu P Nainan (Vice President Finance)** |
| 1 | Gross Salary | | | |
| | a) | Salary as per Provisions contained in Section 17(1) of the Income Tax Act, 1961 | 18970087 | 13877302 |
| | b) | Value of Perquisites u/s 17(2) of Income Tax Act, 1961 | 1834834 | 818843 |
| | c) | Profits in lieu of Salary under Section 17(3) of Income Tax Act, 1961 | - | - |
| 2 | Stock Option | | - | - |
| 3 | Sweat Equity | | - | - |
| 4 | Commission | | - | - |
| 5 | Others | | - | - |
| Total | | | 20804921 | 14696145 |

**VII) Penalties/Punishment/Compounding of Offences**

There were no penalties, punishment or compounding of offence during the financial year ended 31st March, 2018.

Chennai
3rd May, 2018

K M MAMMEN
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS

(Within the limits set by the Company's competitive position)

Your company is ranked among the worlds' top 20 Tyre Manufacturers and 2018 marks the year where the company begins to consolidate its 4th decade of leadership in the Indian Tyre industry.

The past year was eventful and turbulent in equal measure. The global economy gathered steam and accelerated from 3.2% in 2016 to 3.6% growth in 2017. However, geo-political headwinds, looming trade walls and issues like mass migration continue to be of concern. Further, increasingly shrill protectionist economic and nationalist agendas witnessed in North America and Europe are taking more concrete shape. China's swift response to United States of America over punitive tariff hikes has raised the possibility of a full-blown global trade war which could jeopardize the budding global economic recovery.

India is the proverbial bright spot in the context of this tumultuous backdrop as it continues to remain one of the most favourable economies in the world for growth and investment opportunities.

The discussion below summarises the key issues and challenges that faced your company in the year ended 31st March, 2018.

### Market & Industry Overview

The first quarter of 2017-18 saw the impact of demonetisation settling down. In the next quarter, introduction of the landmark Goods and Services Tax (GST) brought in some uncertainties as businesses adjusted to the new regime. However, a good monsoon resulted in a healthy upswing in the agrarian economy and stoked a recovery in rural demand.

Sizeable state spending on infrastructure reaffirmed the government's commitment towards supporting long-term growth and firing up economic activity that was adversely impacted by major policy initiatives.

After registering GDP growth of over 7% for the third year in succession in 2016-17, the Indian economy registered somewhat slower growth, estimated to be 6.5% in 2017-18 on an annualized basis, though growth rates in the last quarter are expected to be around 7.5% per annum.

As expected, the Union Budget 2018 witnessed significant push for rejuvenating the rural economy and improving economic development through better infrastructure and connectivity. This has widened the fiscal deficit for the current fiscal to 3.5% of GDP, instead of the projected 3.2%. The gap was also partly due to lower than anticipated GST collections from the states.

The year also witnessed a slew of measures being undertaken towards the resolution of problems associated with non-performing assets of the banks, further liberalization of Foreign Direct Investment (FDI), thus strengthening the momentum of reforms. With inflation expectations adjusted down, there could be room for further interest rate cuts if inflation durably remains below 4%. However, the clear and ever present danger of hardening fuel and raw material prices could shore up inflationary pressures.

The complex filing procedures of GST and delay in refund of input credits, had its impact on exporters and small and medium enterprises, forcing companies to bring down production and stocks, leading to a decline in manufacturing activity in the short term. However, once these transient factors receded, the economy picked up momentum and is expected to grow at a steady rate in the near to medium term.

The Indian tyre industry is estimated to be approximately ₹60,000 crores in 2017-2018 and the top eleven tyre companies' account for more than 90% of the volume. The industry caters to Original Equipment Manufacturers (OEM), Export and Replacement markets mainly through four vehicle categories namely Commercial Vehicle (CV) including Truck and Buses (T&B), Passenger Vehicles (PV), Two-Wheeler and others including Tractors and Off The Road (OTR).

Of these three distinct markets, Replacement accounts for approximately 60% of the Industry with Institutional/OEM and Exports making up 22% and 18% respectively. While in the Commercial and Farm segments, replacement sales form a major chunk, both Institutional/OEM and Replacement sales play an almost equal role in the Passenger segment.

Traditionally, tyres are classified as Cross-ply (Bias) and Radial based on the technology deployed in their manufacture. In India, the commercial tyre segment continues to be dominated by cross-ply tyres due to road conditions, loading patterns and the high initial cost of Radials. While India's passenger car segment is fully radialized, radialization in the T&B segment has increased from 36% in financial year 2016 and now stands at 40%.

The Indian automotive sector clocked 14% growth in fiscal 2017-18, buoyed by healthy volume growth across segments. This was creditable as it was achieved in the face of market disruptions, teething troubles in GST roll-out and ambitious targets for changeover on emission norms.

By 2020, India's share in the global passenger vehicle market is estimated to touch 8% from 2.40% in 2015. With many players jostling for space in the over-crowded mini car and compact sedan segments, the compact SUV segment emerged as a bright spot. The trend in new purchases showed the growing clout of SUVs and compact SUVs as they powered the overall growth in the passenger vehicles segment which crossed the 3-million sales mark for the second year in a row.

India is now the world's biggest two-wheeler market with annual domestic sales of over 18 million units. Growth in the two-wheeler industry is being powered by Scooters which grew at 20% plus in financial year 2018. The next wave of 'scooterisation' is slated to come from the rural and semi-urban pockets, which have typically been the bedrock of the motorcycle customer base.

The expected stable growth in the passenger vehicle segment coupled with strong performance of the two-wheeler and SUV segments had a cascading effect on the overall tyre demand for personal vehicles.

The domestic tyre sales for financial year 2018 grew on the back of traction in OEM volumes, pick-up in replacement demand and the positive impact of Anti-Dumping Duty (ADD) imposition on Chinese TBR in September 2017.

The government's push towards infrastructure development, restriction on overloading of trucks, road construction and mining activities have given a fresh fillip to demand in the Medium & Heavy Commercial Vehicle [M&HCV] segment which cruised to a strong position during the current fiscal. Commercial vehicle manufacturers have recorded robust 19.94% year on year growth, accruing across both the M&HCV and Light Comercial Vehicle [LCV] sub-segments. The Tipper segment, which is directly linked to the demand for tyres across Earthmoving and Construction equipment categories, grew over 58 per cent over the same period last year as a direct fall-out of increased road construction activity.

A bumper agrarian output riding on two consecutive normal monsoons coupled with increased haulage demand for tractors, as a fall-out of stepped up investments in infrastructure, aided by government support, has given an overall fillip to the demand for Tractors. Consequently, the volumes of the domestic tractor industry scaled record highs with 20% plus volume growth in financial year 2018 on the back of improved sentiment and buoyant demand. This translated into a positive multiplier effect on the demand for Farm and Off-The-Road (OTR) tyres.

Overall, the domestic tyre volume growth is pegged at a strong 8-10 per cent. Of this, the Original Equipment Manufacturer is likely to mirror the overall trend with growth in the region of 8-10 per cent and Replacement demand is expected to post 6-8 per cent growth.

The Anti-Dumping Duty provided a level playing field for domestic tyre companies who had suffered on account of the predatory pricing of Chinese imports and were consequently not running to full capacity.

Given the healthy growth of demand in the industry across segments, capacity addition will continue to dominate the narrative in the industry given the large cash balances, strong accrual position and favourable demand scenario.

The competitive intensity in the industry continues to remain at fever-pitch with expected 'on-streaming' of several greenfield and brownfield capacities by domestic as well as international players. Tyre manufacturers in India have been actively involved in Research & Development and a range of products suited to the Indian market will continue to be launched and aggressively marketed.

### Opportunities and Threats

The growth outlook for the auto industry continues to remain strong in financial year 2019. Apart from new vehicles, the pre-owned (used) car market has had relatively steady growth. Shortening ownership cycles of new cars, participation of organized players which is bringing in credibility and consumer confidence and access to financing are factors fuelling the growth and acceptance of the used-car market. As the industry grows and evolves structurally, it is expected to have a positive impact on the tyre sector.

A third consecutive normal monsoon forecast augurs well for the rural economy and more specifically, the Original Equipment & Replacement demand for Farm Tyres and Two Wheelers in the near term.

Unprecedented change and technological disruptions are the order of the day for the Auto industry and the Tyre Industry cannot be unaffected by these. Financial year 2018 started off with a mandatory, nationwide implementation of Bharat Stage (BS)-IV norms which required automakers to comply with cleaner emission norms.

The government's decision to leapfrog to the toughest emission standards of BS-VI from the current BS-IV by 2020, is a game-changer for both Original Equipment Manufacturers and tyre manufacturers who need to demonstrate agility in adapting to a volatile market situation. An over-crowded market, stringent regulations and the increased investment in both cost and technological compliance with the new emission standards is likely to pose a major challenge.

Further, cost of ownership, and therefore fuel economy, continues to be one of the highest priorities in vehicle purchase decisions in India. Therefore, consumers advancing their purchases on the expectation of higher outlay post-2020, would impact Original Equipment & Replacement demand.

In addition, the recent changes in the proposed scrappage policy (coinciding with BS-VI roll-out in April 2020), will significantly reduce the potential population of vehicles eligible for scrappage (20 plus years as opposed to 15 years earlier).

In comparison to developed countries, Natural Rubber dominates the raw material palette of the Indian tyre industry, and in this context, the gap between domestic rubber production and demand will continue to remain a concern area. During financial year 2018, tyre companies had to face a triple whammy of high input costs, namely those of natural rubber, carbon black and crude oil and this may continue to be the case in the foreseeable future too.

## Segment wise and Product wise Performance

During fiscal 2017-18, your company achieved a total income of ₹ 15510 crore. Across the board, there was an overall increase in all segments adding up to a 8% increase in total tyre production. In the Heavy Commercial Vehicle segment, the increase was 5% over the previous year while Light Commercial Vehicle tyres increased by around 4%. The Small Commercial Vehicle tyres grew by a marginal 2% in the 4-wheeled segment, while it rose by 3% in the 3-wheeled segment, over the previous year. Passenger & SUV showed a 7% growth. The Farm segment grew at 4%. The Motorcycle and Scooter segments rose by 10% and 13% respectively. The OTR segment grew at 2%.

## Exports

India's external sector proved to be resilient to the volatility in the global environment. This was reflected in external debt remaining low and substantial increase in foreign exchange reserves, thereby cushioning against vulnerabilities.

In first half of financial year 2018, export growth decelerated, however in the second half of financial year 2018, the economy witnessed robust signs of revival as the shocks began to fade and the synchronous global economic recovery boosted exports.

Reflecting this trend, tyre exports remained strong for the second straight year, led by revival in demand across product segments. Following a 27.5 per cent growth in financial year 2017, exports volume increased by 10 per cent during financial year 2018.

Overall your company's export turnover stood at ₹1353 crore as compared to the previous year turnover of ₹1316 crore.

Over the past year, we have undertaken several initiatives to stabilize our strong markets and broaden our reach outside India. Most of the exports have been to top 15 destinations which include the US, Europe, Australia, Latin America, Middle East among others. These countries contribute close to 65% of the total exports. We are coming out with market specific products and price-solutions to be able to reach out to the end-consumer across geographies. ASEAN, SAARC and Middle Eastern countries continue to be key destinations and drivers of export growth.

The outlook for the coming years is expected to be favourable, with tyre export volumes projected to grow by about 8-10% compounded annual growth rate (CAGR) during financial years 2019-22 riding on bullish demand prospects (despite strict import regulations in a few countries). There has been increased acceptance of Indian tyres in overseas markets, both in terms of quality and pricing. However, Chinese brands will continue to play their predatory pricing game in all overseas markets and this will remain a key challenge that Indian tyre manufacturers will have to contend with apart from spiralling crude oil prices, geo-political and diplomatic tensions particularly in the Middle East.

## Discussion on Financial Performance with respect to Operational Performance

(₹ Crores)

| | 2017-2018 | 2016-2017 |
|---|---|---|
| Revenue from operations | 15227 | 14749 |
| Other Income | 283 | 329 |
| Total Income | 15510 | 15078 |
| Profit before tax | 1602 | 2066 |
| Provision for tax | 510 | 615 |
| Profit after tax | 1092 | 1451 |

The revenue from operations of the Company for the Current year stood at ₹ 15227 Crore against ₹ 14749 Crore for the previous year ended 31st March, 2017. During the current year ended 31st March, 2018, the Earnings Before Interest and Depreciation (EBIDTA) stood at ₹ 2552 Crore as against ₹ 2921 Crore in the previous year ended 31st March, 2017. After providing for Depreciation and Interest, the Profit Before Tax for the year ended 31st March, 2018 is ₹1602 Crore as compared to ₹ 2066 Crore in the previous year ended 31st March, 2017. After making provision for Income Tax, the Net Profit for the year ended 31 March, 2018 is ₹ 1092 Crore, as compared to ₹ 1451 Crore in the previous year ended 31st March, 2017.

The prices of Natural Rubber and Crude linked derivatives which continued to rise in the last quarter of previous year, remained high during the 1st quarter of 2017-18 and thereafter the prices stabilised to reasonable levels.

Due to introduction of GST, several Central and State Taxes / Levies, is subsumed into a single tax structure. The Company successfully implemented GST across all applicable locations.

## Outlook

As global economic activity continues to strengthen, global growth is forecast to grow by 3.9% during 2018. Closer home, a cyclical economic recovery has taken strong hold with growth benefitting from higher public capital spending and recovering private business sentiment. GST promises to deliver positive outcomes as India becomes an integrated and more competitive market.

Industrial growth accelerated sharply during the second quarter of financial year 2018 and jumped to 6.9% from 1.5% in the previous quarter, on account of a stellar turnaround by manufacturing and construction – both of which are the mainstay of economic activity and directly linked with the fortunes of the tyre industry leading to robust growth in demand from the OEM and replacement markets.

A favourable economic outlook, expectation of greater stability in GST, likely recovery in investment levels and ongoing structural reforms, are a harbinger of higher growth (barring any unprecedented global events which could have a dampening effect on GDP growth).

Reflecting this broad-based revival, for financial year 2019, the domestic tyre volume growth is pegged at 8-8.5 per cent as the demand environment continues to be favourable despite the grim input cost scenario.

The auto industry maintains an optimistic view regarding the domestic sales volume growth of both the Commercial and Personal Vehicles in financial year 2019. In fact, certain segments like utility vehicles and scooters are expected to maintain double-digit growth in the coming fiscal.

Tyre companies are therefore expected to reap the benefits of the buoyant growth prospects for Auto OEMs, and consequently, in time, replacement demand will also be robust, given the steady growth in vehicle population that will be due for replacement in the years to come.

## Internal Control Systems and their Adequacy

The company has adequate internal control systems in place, commensurate with the size and nature of business. The Company has in place well-documented procedures, covering various financial and operational functions. Company through its own Internal Audit Department carry out periodical Audits at various locations and functions based on the plan as approved by the Audit Committee. Some of the salient features of the internal control systems are:

(i) A robust ERP system connecting all Plants, Sales Offices and Head office.

(ii) Systems and procedures are periodically reviewed to keep pace with the growing size and complexity of company's operations.

(iii) Preparation of annual budget for operations and services and monitoring the same against the actuals at periodic intervals .

(iv) All assets are properly recorded and system put in place to safeguard against any losses or unauthorized use or disposal.

(v) Periodic physical verification of fixed assets and all inventories.

(vi) Observations arising out of the Internal Audit are reviewed at the Audit Committee meeting and follow up action taken.

(vii) Periodic presentations made to the Audit Committee on various operations and financial risks faced by the company and action proposed to mitigate such risks.

## Risks and Concerns

In the last quarter of previous year, we have witnessed a sharp price increase in certain crude linked raw-material and this trend of volatility in the raw material prices could continue in future.

## Human Resources

Your Company owes its success and dominance in the industry to its Human Resource, their hard work and dedication in overcoming all hurdles, facing the daunting challenges of the market and meeting ever increasing as well as changing expectations of the customers across the length and breadth of the country, as well as overseas.

Your Company continues to constantly give thrust and focus on Human Resource for its prolonged success. From hiring the best possible fit for the organization, developing them to become astute professionals in their respective field and retaining them by offering a unique value.

We hired both, lateral and fresher, candidates with a special focus on campus engagement this year. We acquired some of the top talent from premier engineering and management institutes to build our leadership pipeline. We also attracted talent from other leading organizations with competitive offerings.

While we welcomed new members, focus continued on existing employees, identifying their growth needs and intensively developing them for handling critical positions in near future thus creating a secure and rewarding ambience for existing base to continue giving their best.

Learning and Development department worked tirelessly in designing and delivering training programs that are very need-specific and aids in imparting knowledge seamlessly with a special attention on training effectiveness, measurement and return of investment (ROI).

We also kept our commitment of shaping the future of our plants by imparting team building and collaboration training to our workmen, leadership training for Union leaders and opinion makers.

Cordial and harmonious industrial relations were maintained across all our manufacturing units through various employee/workmen engagement initiatives with parallel improvement of work culture, productivity and quality of life of the workforce.

The total employee strength as on 31st March, 2018 was 15810.

## Cautionary Statement

*Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or forecast may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.*

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance

Your Company has always adhered to good corporate governance practices and maintained the highest levels of fairness, transparency, accountability, ethics and values in all facets of its operations.

Your Company's Corporate Governance framework ensures timely and accurate disclosure on all material matters including the financial situation, performance and regulatory requirements, leadership and governance of the company.

Your Company believes that good corporate governance is essential for achieving long-term corporate goals of the Company and for meeting the needs and aspirations of its stakeholders, including shareholders.

### 2. Board of Directors

**(a) Composition of the Board:**

The Board comprises of 16 Directors which includes a Chairman & Managing Director, a Vice Chairman and Managing Director, a Managing Director, 2 Whole-time Directors, 3 Non-Executive Directors and 8 Independent Directors. None of the Directors on the Board is a member of more than 10 committees or act as Chairman of more than 5 committees across all Listed Companies and Unlisted Public Limited Companies in which he/she is a Director.

**(b) Attendance of Directors at Board Meetings during the financial year ended 31.03.2018 and at the last Annual General Meeting, outside directorships and board committee memberships and number of shares held as on 31.03.2018:**

| Name | Category | No. of Directorships in other Public Ltd Companies | No. of Board Meetings attended during the financial year ended 31.03.2018 | No. of Committee Memberships in other Public Limited Companies | Attended last AGM held on 04.08.2017 | No. of Shares held |
|---|---|---|---|---|---|---|
| Mr. K M Mammen Chairman & Managing Director | Promoter Executive Director | 4 | 4 | Nil | Yes | 16048 |
| Mr. Arun Mammen Vice Chairman and Managing Director | Promoter Executive Director | 3 | 4 | 2 – Chairman | Yes | 27560 |
| Mr. Rahul Mammen Mappillai Managing Director | Promoter Executive Director | Nil | 4 | Nil | Yes | 4538 |
| Mr. Samir Thariyan Mappillai* Whole-time Director | Promoter Executive Director | Nil | 3 | Nil | NA | 4470 |
| Mr. Varun Mammen* Whole-time Director | Promoter Executive Director | Nil | 3 | Nil | NA | 8706 |
| Dr. K C Mammen | Promoter Non- Executive Director | 3 | 3 | Nil | Yes | 9043 |
| Mr. Ashok Jacob | Independent Director | Nil | 1 | Nil | Yes | 1856 |
| Mr. V Sridhar | Independent Director | Nil | 4 | Nil | Yes | Nil |
| Mr. Vijay R Kirloskar | Independent Director | 4 | 2 | 1 | No | 355 |
| Mr. N Kumar | Independent Director | 8 | 2 | 4-Chairman 2-Member | Yes | Nil |
| Mr. Ranjit I Jesudasen | Independent Director | Nil | 4 | Nil | Yes | Nil |
| Dr. Salim Joseph Thomas | Independent Director | Nil | 4 | Nil | Yes | Nil |
| Mr. Jacob Kurian | Independent Director | Nil | 4 | Nil | Yes | 123 |
| Mr. M Meyyappan | Independent Director | Nil | 2 | Nil | Yes | 30 |
| Dr. (Mrs.) Cibi Mammen | Promoter Non- Executive Director | 2 | 4 | Nil | Yes | 500 |
| Mrs. Ambika Mammen | Promoter Non- Executive Director | 2 | 4 | Nil | Yes | 2489 |

* Inducted into the Board at the Annual General Meeting of the company held on 04.08.2017.

For Committee memberships, the chairmanship and membership in Audit / Stakeholders Relationship Committee in all public limited companies, alone are considered. The Committee memberships of Directors are within the limits prescribed under the SEBI (Listing obligations and disclosure Requirements) Regulations, 2015 (herein after referred to as "Listing Regulations")

Mr K M Mammen and Mr Arun Mammen are brothers. Mrs Ambika Mammen is the wife of Mr K M Mammen. Dr. (Mrs) Cibi Mammen is the wife of Mr Arun Mammen. Mr Rahul Mammen Mappillai and Mr Samir Thariyan Mappillai are the sons of Mr K M Mammen and Mrs Ambika Mammen. None of the other Directors are related to each other.

**(c) Dates of Board meetings:**

During the financial year ended 31st March, 2018, four Board Meetings were held on 04.05.2017, 04.08.2017, 10.11.2017 and 01.02.2018.

**(d) Information placed before the Board:**

The Board of Directors periodically reviews reports regarding operations, capital expenditure proposals, statutory compliance and other required information as enumerated in Part A of Schedule II of the Listing regulations and as required under relevant provisions of the Companies Act,2013.

**(e) Familiarization Programme:**

Presentations/briefings are made at the meeting of the Board of Directors/Committees by KMP's/ senior executives of the Company on industry scenario, Company's operating and financial performance, raw material scenario, industrial relations status, marketing strategies, risk management etc.

The details of familiarization programme are available on the Company's web site at: http://www.mrftyres.com/downloads/download.php?filename=familiarisation-programme-for independent-directors.pdf.

## 3. Audit Committee

**(i) Reference:**

The powers, role and terms of reference of the Audit Committee covers the areas as mentioned under Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013, besides other terms as may be referred by the Board of Directors. These, inter alia, include oversight of Company's financial reporting process, internal financial controls, reviewing the adequacy of the internal audit function, reviewing with management the quarterly/ annual financial statements before submission to the Board, recommending the appointment of statutory auditors and fixation of their remuneration, approval of related party transactions, evaluation of risk management systems etc.

**(ii) Composition:**

The Audit Committee comprises of 3 Directors and all of them being Non-Executive Independent Directors. The members of the Committee are as follows:

| | |
|---|---|
| Mr. Jacob Kurian | Chairman |
| Mr. V Sridhar | Member |
| Mr. Ranjit I Jesudasen | Member |

Mr. Ravi Mannath, Company Secretary, is the Secretary of the Committee.

Mr. K M Mammen, Chairman & Managing Director, Mr. Arun Mammen, Vice Chairman and Managing Director and Mr. Rahul Mammen Mappillai, Managing Director are permanent invitees. The Vice President Finance, Head of Internal Audit, Statutory Auditors and other executives, as considered appropriate, also attend the meetings by invitation.

**(iii) Meetings and Attendance:**

During the financial year ended 31st March, 2018, the Audit Committee met on the following dates: 04.05.2017, 03.08.2017, 10.11.2017 and 01.02.2018.

All the members of the Committee were present for all the meetings.

## 4. Nomination and Remuneration Committee

**(i) Reference:**

In accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, the terms of reference of the Committee include the following namely formulation of criteria for determining qualifications, positive attributes and independence of director, recommending to the Board a policy relating to remuneration of directors, key managerial personnel and other employees, formulation of criteria for evaluation of directors performance, devising a policy on Board diversity, identifying persons who are qualified to become directors and who may be appointed in senior management positions in accordance with the criteria laid down and recommend to the Board their appointment and removal.

**(ii) Composition:**

The Committee comprises of 3 Non-Executive Independent Directors and an Executive Director. The Chairman is a Non-Executive Independent Director. The Committee comprises of:

| | |
|---|---|
| Mr. Ranjit I Jesudasen | Chairman |
| Mr. V Sridhar | Member |
| Mr. Jacob Kurian | Member |
| Mr. K M Mammen | Member |

Mr. Ravi Mannath, Company Secretary, is the Secretary of the Committee.

**(iii) Meetings and Attendance:**

During the financial year ended 31st March, 2018, the Committee met on 04.05.2017 and 01.02.2018. All the members of the Committee were present for the meetings.

## 5. Criteria for determining the qualifications, positive attributes and Independence of a Director

Candidates for the position of a Director shall be a person of integrity and possess requisite education, experience and capability to make a significant contribution to the deliberations of the Board of Directors. Apart from the above, the Board candidate should be of the highest moral and ethical character. The candidate must exhibit independence, objectivity and be capable of serving as a representative of the stakeholder. The candidate should have the personal qualities to be able to make an active contribution to Board deliberations. These qualities include intelligence, inter-personal skills, independence, communication skills and commitment. The Board candidate should not have any subsisting relationships with any organization which is a competitor to the Company. The Board candidate should be able to develop a good working relationship with other Board members. This apart, the Directors must satisfy the qualification requirements laid down under the Companies Act, 2013, the Listing Regulations and any other applicable law and in case of Independent Directors, the criteria of independence as laid down in those laws.

## 6. Performance evaluation of Independent Directors

The criteria for evaluation of the Independent Directors will be attendance, participation in deliberations, understanding the Company's business and that of the industry and guiding the Company in decisions affecting the business and additionally based on the roles and responsibilities as specified in Schedule IV of the Companies Act, 2013.

The Board carried out evaluation of the performance of the Independent Directors on the basis of the criteria laid down. The evaluation was done by the Board of Directors except the Director who was evaluated.

## 7. Remuneration of Directors

### a. Remuneration Policy:

A Policy on remuneration of Directors, Key Managerial Personnel ("KMP") and Senior Management and other staff was put in place by Nomination and Remuneration Committee on 23.07.2014 and approved by the Board of Directors at its meeting held on 30.10.2014.

The Policy provides as follows:

(i) Non-Executive Directors:

The Non-Executive Directors (including Independent Directors) may be paid remuneration by way of sitting fees for attending meetings of Board or Committee thereof.

The Directors may also be reimbursed any expenses in connection with attending the meetings of the Board or Committee or in connection with the business of the Company.

The quantum of fees shall be determined, from time to time, by the Board subject to ceiling / limits as provided under Companies Act, 2013 and rules made thereunder.

(ii) Chairman & Managing Director, Managing Director(s) / Whole-time Director(s):

The level and composition of remuneration will be reasonable and sufficient to attract, retain and motivate directors of quality to run the Company successfully. The remuneration package should adequately compensate them for the high level of responsibilities shouldered by them and sensitivity of the position held. The level of remuneration shall take into consideration the professional expertise, past credentials and potential of the person concerned. The compensation package may comprise of a fixed compensation package in the nature of monthly and annual pay-out, provision of perquisites, contribution to retirement benefits, health and insurance and any other benefits (including provision of loans on such terms as to interest, repayment and security as determined by the Board) and commission on profits, in such proportion and quantum as decided from time to time based on the Company's business needs and requirements and prevailing practices in industry.

Besides the above, the remuneration to be paid to Chairman & Managing Director, Managing Director(s) and Whole-time Director(s) shall be governed by the provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

(iii) KMP's (other than MD's and WD's), Senior Management Personnel and other Staff:

The level and composition of remuneration will be reasonable and sufficient to attract, retain and motivate persons of the quality required to handle appropriate management roles in the Company successfully. The level of remuneration may be based on the qualification, experience and expertise and potential of the person concerned and also the responsibilities to be shouldered, criticality of the job to the Company's business and any other criteria as considered appropriate. The compensation package may comprise of a fixed compensation package in the nature of monthly and annual payout, provision of perquisites, contribution to retirement benefits, health and insurance and any other benefits (including provision of loans on such terms as to interest, repayment and security as determined by the Board) and variable pay (having a clear relationship to performance which will meet appropriate benchmarks relevant to the working of the Company and its goals), in such proportion and quantum as decided from time to time based on the Company's business needs and requirements and prevailing practices in industry.

(iv) Directors and Officers' Insurance:

Where any insurance is taken by the Company on behalf of its Directors, KMP's / Senior Management Personnel, Staff etc., for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

**b. Details of Remuneration to all the Directors for the financial year ended 31.03.2018:**

(i) The aggregate value of salary and perquisites and commission paid to the Chairman and Managing Director/Vice Chairman and Managing Director/ Managing Director and Whole Time Directors for the financial year ended 31.03.2018 are as follows:

(a) Name (b) Designation (c) Salary and perquisites (₹) (d) Commission (₹) (e) Total (₹)

(a) Mr. K M Mammen (b) Chairman & Managing Director (c) 154488053 (d) 107459274 (e) 261947327 (a) Mr Arun Mammen (b) Vice Chairman and Managing Director (c) 112175509 (d) 99162919 (e) 211338428 (a) Mr Rahul Mammen Mappillai (b) Managing Director (c) 96917122 (d) 85507471 (e) 182424593 a) Mr Samir Thariyan Mappillai (b) Whole-time Director (c) 10727421 (d) 7112903 (e) 17840324 (a) Mr Varun Mammen (b) Whole-time Director (c) 10527924 (d) 7112903 (e) 17640827.

Note: a) Salary and perquisites include all elements of remuneration i.e., salary, allowances and benefits. The Company has not issued any stock options to any of the directors. The Chairman and Managing Director/ Vice Chairman and Managing Director/ Managing Director/ Whole-time Directors are appointed by shareholders for a period of five years at a time.

b) Remuneration of Mr Samir Thariyan Mappillai and Mr Varun Mammen is w.e.f. 4th August, 2017. i.e., date of appointment as Whole-time directors of the company.

(ii) The sitting fees paid for the financial year ended 31.03.2018 to Non-Executive Directors are as follows:

(a) Name (b) Sitting fees (₹)

(a) Dr. K C Mammen (b) 60000; (a) Mr Ashok Jacob (b) 20000; (a) Mr V Sridhar (b) 190000; (a) Mr Vijay R Kirloskar (b) 40000; (a) Mr N Kumar (b) 40000; (a) Mr Ranjit I Jesudasen (b) 220000; (a) Dr. Salim Joseph Thomas (b) 80000; (a) Mr Jacob Kurian (b) 180000; (a) Mr M Meyyappan (b) 40000; (a) Dr. (Mrs) Cibi Mammen (b) 80000; (a) Mrs Ambika Mammen (b) 80000.

Sitting fees are paid to Non-Executive Directors within the limits prescribed under the Companies Act, 2013.

There were no material pecuniary relationships or transactions by Non-Executive Directors vis-à-vis the Company as per the materiality threshold laid down in Listing Regulations and also as per the Policy on Materiality of Related Party Transactions framed pursuant to the said Regulations.

## 8. Stakeholders' Relationship Committee

**(i) Reference:**

The Committee looks into redressal of grievances of the investors namely shareholders and fixed deposit holders and other security holders. The Committee deals with grievances pertaining to transfer of shares, non-receipt of annual report, non-receipt of dividend, dematerialisation / rematerialisation of shares, complaint letters received from Stock Exchanges, SEBI, non-receipt of interest warrants, repayment of fixed deposit issues etc. The Board of Directors have delegated the power of approving transfer/transmission of shares to a share transfer committee.

**(ii) Composition:**

The Committee comprises of 3 Directors. The Chairman of the Committee is a Non-Executive Independent Director.

The members of the Committee are :

| | |
|---|---|
| Mr. V Sridhar | Chairman |
| Mr. Ranjit I Jesudasen | Member |
| Mr. K M Mammen | Member |

Mr Ravi Mannath, Company Secretary, is the Secretary of the Committee.

Mr S Dhanvanth Kumar, Assistant Company Secretary is the Compliance Officer of the Company.

**(iii) Meeting and Attendance:**

During the financial year ended 31st March, 2018, the Stakeholders' Relationship Committee met on 04.05.2017. All the members of the Committee were present for the meeting.

33 investor complaints were received during the financial year ended 31.03.2018. Out of which 28 complaints were redressed to the satisfaction of the shareholders and 5 complaints were pending at the end of the year.

## 9. Risk Management Committee

During the year, in compliance with Regulation 21 of the Listing Regulations, the Company constituted a Risk Management Committee. The Composition of the Committee is as follows:

| | |
|---|---|
| Mr. K M Mammen | Chairman |
| Mr. Arun Mammen | Member |
| Mr. Rahul Mammen Mappillai | Member |
| Mr. Ravi Mannath | Member |
| Mr. Madhu P Nainan | Member |

The Committee's role inter-alia is to monitor and review the risk management plan of the Company. The Committee's composition is in compliance with the provisions of Regulation 21 of the Listing Regulation.

The Committee met on 30.01.2018. All the members of the Committee were present for the meeting.

## 10. General Body Meetings

(a) The Company held its last 3 Annual General Meetings as under:

| AGM for the Year | Date | Time | Venue |
|---|---|---|---|
| 2013-2014 | 12-02-2015 | 11.00 A.M. | TTK Auditorium, 'The Music Academy' No.168, TTK Road, Chennai - 600 014 |
| 2014-2016 | 11-08-2016 | 11.00 A.M. | - do - |
| 2016-2017 | 04-08-2017 | 11.00 A.M. | - do - |

(b) Details of Special resolution passed during the last 3 Annual General Meetings:

| Date of AGM | Particulars of Special Resolution passed |
|---|---|
| 12-02-2015 | (i) To increase the borrowing powers of the Company.<br>(ii) To provide security in connection with the borrowings of the Company. |
| 11-08-2016 | No Special Resolution was passed. |
| 04-08-2017 | (i) Amendments to the Articles of Association.<br>(ii) Approval for increasing the strength of the Board beyond 15. |

(c) Postal Ballot:

No Postal Ballot was conducted during the financial year 2017-2018.

## 11. Means of Communication

Quarterly/half yearly results are disclosed to Stock Exchanges and also published in daily newspapers viz., Business Standard (all over India) and Makkal Kural (Vernacular). As per the requirements of Regulation 46 of the Listing Regulations, the quarterly/half yearly results and the press release issued annually are displayed on the Company's website www.mrftyres.com. The Company provides information to the Stock Exchanges as per the requirements of the Listing Regulations. No presentations were made to institutional investors / analysts. The Company has a designated e-mail address viz., mrfshare@mrfmail. com exclusively for investor servicing.

## 12. Dividend Distribution Policy

Pursuant to Regulation 43A of the Listing Regulations, the Company is required to formulate a dividend distribution policy which shall be disclosed in its annual report and on its website.

The objective of this policy is to provide the dividend distribution framework to the stakeholders of the Company. A decision of the Board of Directors to recommend / declare dividend would be based on the financial parameters and the internal and external factors namely current year's profits after tax of the Company, operating cash flows and treasury position keeping in view total debt to equity ratio, accumulated reserves, future capital expenditure/ expansion, strategic investments and working capital requirements, providing for unforeseen events and contingencies with financial implications, overall macro-economic scenario / regulatory environment, future business prospects and industry outlook, past dividend trends, any other financial parameter or factor as considered relevant or appropriate by the Board of Directors.

Based on the decision of the Board of Directors, from time to time, the retained earnings will be utilised to meet the Company's long term financial requirements (including capital expenditure, debt service obligations, other liabilities etc.), improve financial ratios, declaration of dividend, issue of bonus shares, buy-back of shares and any other purpose permitted by the Companies Act, 2013. Based on the financial parameters and other factors mentioned above, the shareholders may/may not expect dividend for any year.

The Board of Directors may declare interim dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company. Presently, the authorised capital of the Company comprises of only one class of shares. In the event of the Company issuing any other class of shares, this policy would be suitably amended.

The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013 and rules framed thereunder, Listing Regulations and other legislations governing dividend, as in force from time to time.

## 13. General Shareholder Information

**a) Annual General Meeting:**

Date and Time : 09.08.2018, 11.00 A.M

Venue : TTK Auditorium
'The Music Academy'
No. 168, TTK Road,
Chennai - 600 014

**b) Financial Year:** 1st April to 31st March.

**c) Dividend payment date:**

Interim Dividend : 30.11.2017
₹3 per share (30%)

II Interim Dividend : 23.02.2018
₹3 per share (30%)

Final Dividend : 17.08.2018, ₹ 54/- per share (540%),
(subject to approval of shareholders)

**d) Listing on Stock Exchanges at:**

1. National Stock Exchange of India Ltd., (NSE)
Exchange Plaza, 5th Floor, Plot No. C/1, 5 G Block,
Bandra-Kurla Complex, Bandra (E), Mumbai 400 051.

2. Bombay Stock Exchange Ltd., (BSE)
Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street,
Mumbai 400 001.

Equity ISIN : INE883A01011

Listing fees upto the year ending 31st March, 2019 have been paid to the above mentioned Stock Exchanges.

**e) Stock Code:**

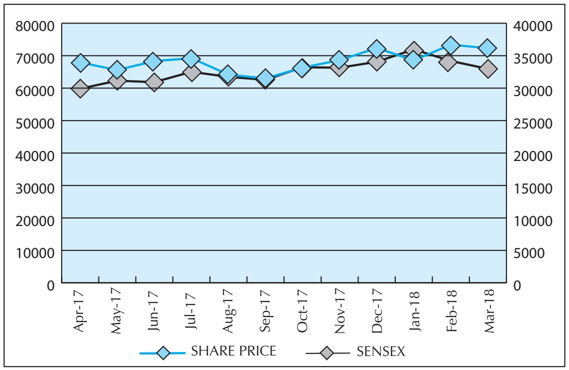
| | | |
|---|---|---|
| Bombay Stock Exchange | Code | 500290 |
| National Stock Exchange | Symbol | MRF |

f) **Market Price Data:**

| Month | Bombay Stock Exchange [BSE] | | | National Stock Exchange [NSE] | | |
|---|---|---|---|---|---|---|
| | High (₹) | Low (₹) | No. of Shares | High (₹) | Low (₹) | No. of Shares |
| April-2017 | 70480.00 | 60100.00 | 34248 | 70500.00 | 60062.40 | 347490 |
| May-2017 | 69770.00 | 62000.00 | 33983 | 69750.00 | 62000.00 | 348749 |
| June-2017 | 74100.00 | 65586.30 | 33973 | 74147.50 | 65619.50 | 349746 |
| July-2017 | 71551.95 | 68100.05 | 16480 | 71500.00 | 68201.00 | 198716 |
| August-2017 | 71068.55 | 62360.55 | 34829 | 70999.80 | 62382.05 | 297021 |
| September-2017 | 65777.15 | 61110.00 | 19635 | 65650.00 | 61000.00 | 242481 |
| October-2017 | 67340.00 | 62400.10 | 12056 | 67343.90 | 62409.80 | 158514 |
| November-2017 | 70498.40 | 63800.00 | 16660 | 70500.00 | 63614.05 | 217033 |
| December-2017 | 74499.00 | 65400.00 | 16474 | 74500.00 | 65323.90 | 199048 |
| January-2018 | 73412.55 | 66700.05 | 14639 | 73570.00 | 66750.00 | 153736 |
| February-2018 | 73799.60 | 65124.00 | 23685 | 73840.00 | 64000.00 | 191722 |
| March-2018 | 74000.00 | 68112.20 | 8800 | 74100.00 | 68170.00 | 110236 |

g) **Stock Performance: (Monthly Closing Price)**

**Performance in comparison to BSE Sensex**




h) **Registrars and Transfer Agents:** In-house Share Transfer
MRF Limited
No. 114, Greams Road,
Chennai - 600 006

In terms of SEBI Circular No. O&CC/FITTC/CIR-15/2002 dated 27th December, 2002, your Company is carrying out both physical transfer work as well as electronic connectivity, in-house.

In-house Investor relations department provides various services viz., dematerialisation and rematerialisation of shares, Share transfers/transmissions, disbursement of dividend, Issue of duplicate share certificates, dissemination of information and fixed deposit related activities. Members are therefore requested to communicate pertaining to physical shares to Secretarial Department, MRF Limited, No. 114, Greams Road, Chennai 600 006.

i) **Share Transfer System:**

The average time taken for processing and registration of share transfer requests received is less than 12 days. All dematerialisation requests are processed within 10 days.

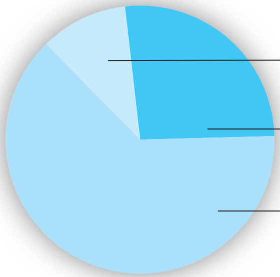
j) **Distribution of shareholding: (as at 31.3.2018)**

| Shareholding | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Upto 500 | 45854 | 99.07 | 701776 | 16.55 |
| 501 - 1000 | 152 | 0.33 | 107256 | 2.53 |
| 1001 - 2000 | 79 | 0.17 | 114781 | 2.71 |
| 2001 - 3000 | 43 | 0.09 | 108189 | 2.55 |
| 3001 - 4000 | 20 | 0.04 | 69520 | 1.64 |
| 4001 - 5000 | 21 | 0.05 | 92776 | 2.19 |
| 5001 - 10000 | 52 | 0.11 | 366614 | 8.64 |
| 10001 and above | 63 | 0.14 | 2680231 | 63.19 |
| **TOTAL** | **46284** | **100.00** | **4241143** | **100.00** |

k) **Dematerialization of Shares and Liquidity:**

73.63 % of total equity capital is held in dematerialized form with NSDL and CDSL up to 31st March, 2018. All requests for dematerialization of shares were carried out within the stipulated time period and no share certificates were pending for dematerialization.

Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 17-01-2000 as per notification issued by the Securities and Exchange Board of India (SEBI).




l) **Outstanding GDR/Warrants/any other convertible instruments:**

The Company does not have any outstanding GDR / Warrants / any other convertible instruments.

m) **Debenture Trustee:** Axis Trustee Services Limited,
2nd Floor, Wadia International Centre,
Pandurang Budhkar Marg, Worli,
Mumbai – 400 025.

n) **Commodity price risk / foreign exchange risk and hedging:**

The Company's purchasing strategy does not involve hedging activities and speculative buying.

The risks are limited by sourcing from different countries and regions and having long term contracts with prices linked to well accepted market indices and published reports.

The Company's policy on hedging foreign currency risks is enumerated in the accounting policy annexed to the financial statements.

o) **Plant Locations:**

1. Tiruvottiyur — Tiruvottiyur, Chennai, Tamil Nadu.
2. Kottayam — Vadavathoor, Kottayam, Kerala.
3. Goa — Usgao, Ponda, Goa.
4. Arkonam — Ichiputhur, Arkonam, Tamil Nadu.
5. Medak — Sadasivapet, Medak, Telangana.
6. Puducherry — Eripakkam Village, Nettapakkam Commune, Puducherry.
7. Ankenpally — Sadasivapet, Sangareddy, Telangana.
8. Perambalur — Naranamangalam Village & Post, Alathur Taluk, Perambalur District (near Trichy), Tamil Nadu.

p) **Address for Correspondence:** MRF Limited
No. 114, Greams Road,
Chennai – 600 006.
Tel : (044) 28292777
Fax : (044) 28295087
E-mail:mrfshare@mrfmail.com

## 14. Other Disclosures

(a) As required under applicable Listing Regulations, your Company has adopted a policy on related party transactions and also a policy on materiality of related party transactions and the same have been approved by the Board of Directors and uploaded on the Company's Web site: http://www.mrftyres.com/downloads/download.php?filename=policy-for-determination-of-materiality.pdf.,http://www.mrftyres.com/downloads/download.php?filename=policy-on-materiality-of-related-party-transaction.pdf. Requisite approvals from the Audit Committee / Board have been obtained for the transactions as stipulated under applicable law. The details of related party transactions during the financial year ended

31st March, 2018 are given in the financial statements. These related party transactions are not material as per the materiality thresholds laid down and hence no details are furnished in Form AOC-2 of the Companies (Accounts) Rules, 2014.

(b) The Company has complied with the requirements of the Stock Exchanges/SEBI and statutory authority on all matters related to capital markets during the last three years. No penalties, strictures were imposed on the Company by the Stock Exchange/SEBI or any other statutory authority in respect of the same.

(c) The Company has established a vigil mechanism pursuant to the requirements of Section 177(9) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations. No personnel have been denied access to the chairman of the Audit Committee to report genuine concerns. Establishment of vigil mechanism is hosted on the web site of the Company under the web link: http://www.mrftyres.com/downloads/download.php?filename=vigil-Mechanism.pdf.

(d) The Company has complied with the mandatory requirements of Corporate Governance prescribed in Schedule II, Part A to D of the Listing Regulations.

(e) The Company has complied with all the applicable mandatory requirements specified in Regulations 17 to 27 and Clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations.

(f) The Board has laid down a Code of Conduct for all Directors and senior management staff of the Company. The code suitably incorporates for the Independent Directors their duties as Independent Directors as laid down in Schedule IV of the Companies Act, 2013. The code of conduct is available on the website: www.mrftyres.com. All Directors and members of the senior management have affirmed their compliance with the code of conduct.

Your Company has also adopted a Code of Conduct to regulate, monitor and report trading by insiders as per SEBI (Prohibition of Insider Trading) Regulations, 2015. All Directors and designated persons who could have access to unpublished price sensitive information of the Company are governed by the Code. An annual disclosure was taken from the Directors and designated persons, as at the end of the year.

(g) The Audit Committee reviews the financial statements of the unlisted Subsidiary Companies. The minutes of the Board Meetings of the unlisted subsidiary companies are placed at the Board meeting of the Company.

Your Company has formulated a policy on material subsidiary as required under Regulation 16 of the Listing Regulations and the policy is hosted on the website of the Company under the web link:http://www.mrftyres.com/downloads/download.php?filename=material-subsidary-policy.pdf. The Company does not have any material unlisted subsidiary Company.

(h) The Company has issued a formal letter of appointment to all the Independent Directors. The terms and conditions of their appointment have been disclosed on the Company's web site under the web link: http://www.mrftyres.com/downloads/download.php?filename=Terms-and-Conditions-of-Appointment-of-Independent-Directors.pdf.

During the year, a meeting of the Independent Directors was held as prescribed under applicable Listing Regulations and the Companies Act, 2013.

## 15. Discretionary requirements as specified in Part E of Schedule II of SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015:

**a. Maintaining Non-Executive Chairman's Office:**

Not Applicable as the Chairman is an Executive Director.

**b. Shareholder Rights:**

The Company's quarterly and half yearly results are published in the newspapers and also uploaded on its website www.mrftyres.com and in Stock Exchange websites namely www.connect2nse.com and http://listing.bseindia.com.

Therefore, no individual communications are sent to the shareholders in this regard.

**c. Audit Qualification:**

There are no qualifications in the Auditors' Report on the accounts for the financial year ended 31.03.2018.

Adoptions of other non-mandatory requirements are being reviewed from time to time.

## 16. CEO / CFO Certification

Mr. Rahul Mammen Mappillai, Managing Director and Mr. Madhu P Nainan, Vice President Finance, have certified to the Board regarding the financial statements for the financial year ended 31st March, 2018 in accordance with Regulation 17(8) of Listing Regulations.

## 17. Equity shares in MRF - Unclaimed Suspense Account:

As required by the provisions of Regulation 39 (4) read with Schedule V (F) of Listing Regulations, the Company has transferred the unclaimed shares lying in possession of the Company to MRF – Unclaimed Suspense Account. The status of unclaimed shares lying in MRF - Unclaimed Suspense Account as on 31.03.2018 are as under :-

| Particulars | Number of Members | Number of Shares |
|---|---|---|
| Aggregate number of shareholders and the outstanding shares lying in the suspense account | 982 | 26435 |
| Number of shareholders who approached the Company for transfer of the shares from suspense account during the FY 2017-18 | 25 | 738 |
| Shareholders to whom shares were transferred from the suspense account during the year | 25 | 738 |
| Shares transferred to Investor Education and Protection Fund Authority as required by Section 124 (6) of the Companies Act, 2013 read with rules thereunder. | 616 | 16201 |
| Aggregate number of shareholders and the outstanding shares lying in the suspense account as on 31.03.2018 | 341 | 9496 |

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

## 18. Declaration

As required by Para D of Schedule V to the Listing Regulations, it is hereby confirmed and declared that all the members of the Board and senior management have affirmed compliance with the Code of Conduct of the Company for the financial year ended 31st March, 2018.

On behalf of the Board of Directors

Place: Chennai
Date: 3rd May, 2018

K M MAMMEN
Chairman & Managing Director

## INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF MRF LIMITED

1. We, SCA AND ASSOCIATES & MAHESH, VIRENDER & SRIRAM, Chartered Accountants, the Statutory Auditors of MRF LIMITED ("the Company"), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended 31 March, 2018, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and paras C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations).

### MANAGEMENT'S RESPONSIBILITY

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations.

### AUDITORS' RESPONSIBILITY

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
5. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### OPINION

7. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and paras C and D of Schedule V of the Listing Regulations during the year ended 31 March, 2018.
8. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

Chennai, Dated May 03, 2018

## BUSINESS RESPONSIBILITY REPORT (BRR)

### Section A: General information about the Company

| | | |
|---|---|---|
| 1. | Corporate Identity Number (CIN) | L25111TN1960PLC004306 |
| 2. | Name of the Company | MRF LIMITED |
| 3. | Registered address | 114, Greams Road,<br>Chennai 600006 |
| 4. | Website | www.mrftyres.com |
| 5. | E-mail Id | mrfshare@mrfmail.com |
| 6. | Financial year reported | 1st April, 2017 to 31st March, 2018 |
| 7. | Your Company is engaged in<br>(industrial activity code-wise) | |
| | Group* | Description |
| | 221 | Manufacture and sale of Automotive tyres, Tubes, Flaps etc. |

*As per National Industrial Classification – Ministry of Statistics and Programme Implementation

8. The key products that your Company manufactures (as per Balance Sheet) are:

   Automotive tyres, tubes, flaps etc.

9. Total number of locations where business activity is undertaken by your Company: (On a standalone basis)

   i. Number of International Locations – 2

   ii. Number of National Locations – 206

10. Markets served by your Company:

| Local | State | National | International |
|---|---|---|---|
| ✓ | ✓ | ✓ | ✓ |

### Section B: Financial details of the Company

1. Paid up Capital : ₹ 42411430
2. Total Turnover (Revenue from operations) : ₹ 15227.07 Crores
3. Total profit after taxes : ₹ 1092.28 Crores
4. Total spending on corporate social responsibility (CSR) as percentage of profit after tax (PAT) (%): Your Company's total spending on CSR for the financial year April 2017 to March 2018 is ₹ 9.49 crores which is 0.87% of PAT.
5. Some of the areas for which expenditure in 4 above has been incurred: Sports Training, developing vocational skills, promotion of education and rural development projects.

### Section C: Other details

1. Does the Company have any Subsidiary Company/ Companies? Yes
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s): The subsidiary companies being unlisted companies have not yet commenced any such activities.
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]: No

### Section D: Business Responsibility Information

1. Details of Director/Directors responsible for BR

   a. Details of the Directors responsible for implementation of the BR policy

      a) K M Mammen (DIN: 00020202), Chairman & Managing Director, Tel. No. : +91 44 28292777, E-mail Id : mrfshare@mrfmail.com

      b) Arun Mammen (DIN: 00018558), Vice Chairman and Managing Director, Tel. No. : +91 44 28292777, E-mail Id : mrfshare@mrfmail.com

b. Details of the BR head

Same as above.

2. Principle-wise [as per National Voluntary Guidelines (NVGs)] BR Policy/policies (Reply in Y/N)

MRF has always adhered to good business practices in all facets of its operations. The Company adopts sound corporate governance processes and procedures. The Company has been an ISO certified organisation for several years. All the manufacturing locations of MRF are certified for Environment (OHSAS& EMS) & Quality Management System (TS16949) by TUV –Nord (certifying body).

The Board of Directors has also adopted a Business Responsibility Policy ("BR Policy") addressing the principles set out in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs). This policy is operationalized and supported by various other policies, procedures, guidelines and manuals.

Details of compliance (Reply in Y/N)

| Sr. No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Do you have a policy/policies for | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2 | Has the Policy been formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3 | Does the policy conform to any national/ international standards?[b] | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 4 | Has the policy been approved by the Board? If yes, has it been signed by MD/ owner/CEO/ appropriate Board Directors? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 5 | Does the Company have a specified committee of the Board/Director/ Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 6 | Indicate the link for the policy to be viewed online? | www.mrftyres.com/shareholder-info-policies | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8 | Does the Company have in-house structure to implement the policy/policies | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 10 | Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency? | Y | Y | Y | Y | Y | Y | Y | Y | Y |

**Notes:**

a. P1 - Ethics etc., P2 - Product Responsibility, P3 - Employee Wellbeing, P4 - Stakeholder Engagement, P5 - Human Rights, P6 - Environment, P7 - Public Policy, P8 - CSR, P9 - Customer Relations.

b. The policies have been formulated taking into consideration statutory requirements (which are modelled based on national and international conventions/standards) and applicable standards of ISO 9001, ISO 14001, OHSAS 18001.

(b) If answer to the question at serial number (a) against any pirncipal, is 'No', please explain why: Not applicable.

3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO meet to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:

  The Board of Directors of the Company, annually reviews the various initiatives forming part of the BR performance of the Company. The CSR Committee reviews the implementation of the projects/ programmes/activities once in about 6 months. The Chairman & Managing Director and the Vice Chairman & Managing Director deliberate on issues relating to the BR when the respective functional review is done (1-6 months).

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

  The Company publishes the information on BR which forms part of the Annual Report of the Company. The Annual Report is uploaded on the website of the Company – www.mrftyres.com/financial-results.

## Section E: (Principle-wise Performance)

### Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

   Yes. The Company has laid down a Code of Conduct for the Company as per the SEBI Regulations. This covers issues, inter alia, related to ethics etc. It extends to all dealings between the Company and its stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

   During the financial year 2017-18, 33 complaints were received from the shareholders, which have been attended to. The complaints are in the nature of non receipt of dividends, rejection of share transfer, share transmissions, demat requests etc. The Stakeholders' Relationship Committee at its meetings reviews the complaints and the status of their resolution.

### Principle 2

1. List upto 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

   a. With the broad vision of making tyre production sustainable, MRF has initiated several projects on developing low rolling resistance tyres (RR) tyres in PCR/LT and Truck tyres conforming to regulation - R117 and AIS142. This will improve the Fuel Efficiency of the tyre.

   b. We started using environmental friendly materials in two wheelers and in passenger car tyres. Partial replacement was also carried out in truck tyres.

   c. In striving for continuous excellence in technology and product performance, we started several innovative projects resulting in Import substitution.

2. Does the company have procedures in place for sustainable sourcing (including transportation)? (a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

   Yes. The Company has suitable procedures as part of the vendor selection and vendor management process to promote sustainable sourcing. The Company strives to enlist vendors who have been certified to be compliant with environmental / social standards. Contractual obligations are stipulated regarding adherence with various regulatory requirements encompassing environment protection, etc.

   About 85% of our manufactured inputs (i.e. raw materials) are sourced from vendors who have been certified to be compliant with environmental / social standards.

Transportation and logistics optimization is an on-going activity which helps to reduce related environmental impact.

3. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? (a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

   Company has taken initiatives to source engineering consumables and spares through local vendors for execution of activities like servicing and maintenance of machines, mould repair, engineering correction jobs etc.,

4. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

   The solid waste that is generated (including product rejects) are systematically segregated and sold to scrap vendors who either recycle the same or find alternative uses for it. Almost all of the solid waste is disposed in this manner.

**Principle 3**

1. Please indicate the total number of employees: 15810 permanent employees.
2. Please indicate the total number of employees hired on temporary/ contractual/casual basis: 14092
3. Please indicate the number of permanent women employees: 45
4. Please indicate the number of permanent employees with disabilities: 53
5. Do you have an employee association that is recognized by management: Yes
6. What percentage of your permanent employees is members of this recognized employee association? 100% of workmen are members of Unions. 90% of the unionised employees are members of recognised unions.
7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

| No. | Category | No of complaints filed during the financial year | No of complaints pending as on end of the financial year |
|---|---|---|---|
| 1 | Child labour / forced labour / involuntary labour | Nil | Nil |
| 2 | Sexual harassment | Nil | Nil |
| 3 | Discriminatory employment | Nil | Nil |

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year? (a) Permanent Employees - 40.4% (b) Permanent Women Employees - 31.1% (c) Casual/Temporary/Contractual Employees - 46.78% (d) Employees with Disabilities - 24.5%.

**Principle 4**

1. Has the company mapped its internal and external stakeholders?

   Yes

2. Out of the above, has the company identified the disadvantaged, vulnerable and marginalized stakeholders - Underprivileged rural youth

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

   The MRF Institute of Driver Development (MIDD), a pioneering institute providing driver training in light and heavy commercial vehicles, has a track record of about 3 decades. Right from its inception, the institute epitomized a mission far nobler than merely training drivers. The objective was of moulding rural youngsters who were deprived of opportunities, into competent and cultured professionals, contributing immensely to the road transport industry and the society at large. The institute has turned out 245 drivers during the year 2017-18, which includes 128 drivers who have done a refresher course. Immediately after training, placement assistance is provided for all needy drivers, with reputed transporters and fleet operators.

**Principle 5**

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others? While the Company's human resource policies are intended to ensure adherence with applicable labour laws governing work place practices, contractual obligations are also stipulated in engagements with suppliers and contractors on compliance with applicable regulations.

2. How many stakeholder complaints have been received in the past financial year and what per cent was satisfactorily resolved by the management? Nil

**Principle 6**

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

   Your Company's EHS Policy covers all manufacturing plants of the company and includes employees, contractors and customers. The policy addresses compliance with legal, statutory, regulatory and customer specific requirements related to health, safety and environment.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

   Yes. Identification of Green House Gas emissions and initiation to reduce emission are continuous ongoing activities.

3. Does the company identify and assess potential environmental risks?

   Yes. As part of Environmental Management System (EMS), the environmental risks are identified, assessed and environmental management programs (EMP) are initiated. All our plants are certified for ISO 14001:2015 by TuV Nord.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?

   Yes. Projects on clean technology, energy efficiency, renewable energy are part of continuous ongoing activities in plants.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

   Yes. Details are provided in Annexure I to the Board's Report. Weblink: www. mrftyres.com/financial-results.

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

   Your Company's manufacturing processes are designed to operate in a manner that Emissions/Waste generated by the company are within the permissible limits given by CPCB/SPCB.

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.

   Nil

**Principle 7**

1. Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:

   (a) Automotive Tyre Manufacturers Association

   (b) Confederation of Indian Industry

   (c) Federation of Indian Chambers of Commerce and Industry

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?

We initiate our own welfare programs. With the above associations, we have ventured into skill development of rubber growers. We, on our own run, a driver's training institute not only to meet the shortage of drivers but also to inculcate good ethical practices amongst these drivers. This program provides an opportunity for underprivileged youth to become competent and cultured professionals in the road transport industry.

**Principle 8**

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.

The Company has constituted a Corporate Social Responsibility Committee. Based on the CSR Committee's recommendation, the Board has approved a CSR policy. Details of the policy and the programmes undertaken are given in the CSR Report. (Annexure II to the Board's Report).

2. Are the programmes/projects undertaken through in-house team/ own foundation/external NGO/government structures/any other organization?

In-house team / external NGO / government structures.

3. Have you done any impact assessment of your initiative?

The CSR Committee reviews the implementation of the projects undertaken. Reports are sought from the implementing agencies to understand the impact of the initiatives. Likewise in case of in-house projects, the same is reviewed and monitored.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

Details are given in the CSR Report. (Annexure II to the Board's Report)

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

The Company's CSR projects have been primarily focussed on sports training, skill development, health care projects, education and rural development projects. All these projects have achieved their objectives in terms of adoption by the community.

**Principle 9**

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

0.31% of customer complaints are pending as at the end of the financial year.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A./Remarks(additional information) –

No/NA as only tubes, some select motorcycle and passenger car tyres carry labels.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

A proceeding is pending before the Competition Commission of India in respect of automotive tyres. The proceeding has been initiated against major manufacturers of these products and pertains to product pricing. This proceeding has been challenged before appropriate judicial forum and the same is pending.

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

Yes

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MRF LIMITED

### 1. REPORT ON THE STANDALONE FINANCIAL STATEMENTS

1.1 We have audited the accompanying standalone financial statements of MRF LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including other comprehensive income), the statement of changes in Equity and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### 2. MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS.

2.1 The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IND AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

2.2 This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### 3. AUDITOR'S RESPONSIBILITY

3.1 Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the order issued under Section 143 (11) of the Act.

3.2 We conducted our audit of the Standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone financial statements are free from material misstatement.

3.3 An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Standalone financial statements.

3.4 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### 4. OPINION

4.1 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs (financial position) of the Company as at 31st March, 2018, its profit (financial performance including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

**5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

5.1 As required by the Companies (Auditor's Report) Order, 2016("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in "Annexure A" - a statement on the matters specified in paragraphs 3 and 4 of the Order.

5.2 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 other comprehensive income, Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Ännexure B".

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone financial statements – Refer Note 27 (O) to the Standalone financial statements;

ii. The Company has long-term contracts including derivative contracts for which there were no material foreseeable losses; and

iii. There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the company during the year ended 31st March, 2018.

| | |
|---|---|
| For SCA AND ASSOCIATES | For MAHESH, VIRENDER & SRIRAM |
| Chartered Accountants | Chartered Accountants |
| Firm Regn. No. 101174W | Firm Regn. No. 001939S |
| Shivratan Agarwal | B R Mahesh |
| Partner | Partner |
| Mem. No. 104180 | Mem. No. 18628 |

Chennai, Dated May 03, 2018

## ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MRF LIMITED

i) In respect of its Fixed Assets:

a) The company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets;

b) As explained to us, the Assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification;

c) According to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties are held in the name of the Company.

ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. As regards materials lying with third parties, confirmations have been obtained;

iii) The company has not granted any loans, secured or unsecured during the year to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the clauses 3(iii) (a), (b) and (c) of the Order are not applicable to the Company.

iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to loans and making investment.

v) The Company has complied with the directives issued by Reserve Bank of India and the Provisions of Section 73 to 76 of the Act, and the rules framed thereunder with regard to deposits accepted from the public. We are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal on the Company.

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 Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

vii) a) The company is regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Sales-Tax, Service Tax, Goods Service Tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with appropriate authorities, where applicable. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2018 for a period of more than six months from the date they became payable.

b) According to the records of the company, the dues outstanding of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

| Statute and nature of dues | Financial year to which the matter pertains | Forum where the dispute is pending | ₹ Crores |
|---|---|---|---|
| CENTRAL SALES TAX ACT, 1956 and VAT LAWS | | | |
| Sales tax / VAT and penalty | 1999-2000, 2000-01, 2002-03, 2003-04, 2005-06, 2006-07, 2008-09, 2009-10, 2010-11 and 2012-13 to 2017-18 | Appellate Commissioner | 5.40 |
| | 1997-98, 2001-02, 2003-04, 2004-05, 2006-07 to 2010-11, 2013-14, 2014-15 and 2016-17 | Appellate Tribunal | 13.87 |
| | 2006-07 to 2016-17 | High Court | 28.86 |
| | 1996-97, 2000-01 to 2002-03 | Supreme Court | 0.01 |

| Statute and nature of dues | Financial year to which the matter pertains | Forum where the dispute is pending | ₹ Crores |
|---|---|---|---|
| CUSTOMS ACT, 1962 | | | |
| Customs Duty and penalty | 2016-17 | Appellate Tribunal | 11.23 |
| | 1992-93 to 1994-95 | High Court | 74.89 |
| CENTRAL EXCISE ACT, 1944 and Finance Act 1994 | | | |
| Excise duty, Service tax and penalty | 1997-98, 2006-07, 2008-09, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 | Appellate Commissioner | 7.93 |
| | 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14 and 2015-16 | Appellate Tribunal | 0.44 |
| | 2001-02 | Supreme Court | 0.06 |
| INCOME TAX, 1961 | | | |
| Income Tax | 2008-09 to 2014-15 | Appellate Tribunal | 91.13 |
| | 2002-03 and 2004-05 | High Court | 4.51 |

viii) The company has not defaulted in repayment of its loans or borrowings to banks and debenture holders.

ix) The Company has not raised any moneys by way of Initial public offer or further Public offer (Including debt instruments), during the year. Moneys raised by way of Term Loan were applied for the purpose for which those are raised.

x) On the basis of our examination and according to the information and explanations given to us, no fraud by the Company or any material fraud on the company by its officers or employees has been noticed or reported during the year, nor have we been informed of any such case by the management.

xi) 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 Act.

xii) The company is not a nidhi Company and accordingly provisions of clause (xii)of Para 3 of the order are not applicable to the Company.

xiii) On the basis of our examination and according to the information and explanations given to us, we report that all the transaction with the related parties are in compliance with Section 177 and 188 of the Act, and the details have been disclosed in the Financial statements in Refer Note 27(e) as required by the applicable accounting standards.

xiv) The company has not made any preferential allotment or private placement of share or fully or partly paid convertible debentures during the year and accordingly provisions of clause (xiv) of Para 3 of the Order are not applicable to the Company.

xv) According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into any non-cash transactions with directors or persons connected with the directors. Accordingly, provisions of clause (xv) of Para 3 of the Order are not applicable to the company.

xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act,1934 and accordingly, provisions clause (xvi) of Para 3 of the Order are not applicable to the Company.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

Chennai, Dated May 03, 2018

## "ANNEXURE B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MRF LIMITED.

### 1. REPORT ON THE INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING 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 MRF LIMITED ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### 2. 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 company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Act.

### 3. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by Institute of Chartered accountants of India and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### 4. MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

**5. INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**6. OPINION**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

| | |
|---|---|
| For SCA AND ASSOCIATES<br>Chartered Accountants<br>Firm Regn. No. 101174W | For MAHESH, VIRENDER & SRIRAM<br>Chartered Accountants<br>Firm Regn. No. 001939S |
| Shivratan Agarwal<br>Partner<br>Mem. No. 104180 | B R Mahesh<br>Partner<br>Mem. No. 18628 |

Chennai, Dated May 03, 2018

## MRF LIMITED, CHENNAI

## BALANCE SHEET AS AT 31ST MARCH, 2018

₹ Crores

| | Note | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 2 (a) | 6057.84 | 5474.35 |
| Capital Work-in-Progress | 2 (b) | 1078.84 | 846.96 |
| Other Intangible Assets | 2 (c) | 17.47 | 13.23 |
| Financial Assets: | | | |
| Investments | 3 | 1092.42 | 1080.57 |
| Loans | 4 | 14.09 | 3.68 |
| Other financial assets | 5 | 13.98 | 14.13 |
| Other non-current assets | 6 | 342.31 | 304.72 |
| **Current Assets** | | | |
| Inventories | 7 | 2172.07 | 2392.92 |
| Financial Assets: | | | |
| Investments | 3 | 3054.02 | 2313.78 |
| Trade Receivables | 8 | 2135.92 | 1959.95 |
| Cash and cash equivalents | 9 | 98.79 | 178.35 |
| Bank balances other than cash and cash equivalents | 10 | 40.62 | 96.07 |
| Loans | 4 | 1.90 | 3.98 |
| Other financial assets | 5 | 8.64 | 10.08 |
| Other current assets | 6 | 172.89 | 232.35 |
| **TOTAL ASSETS** | | 16301.80 | 14925.12 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity Share Capital | SOCE | 4.24 | 4.24 |
| Other Equity | SOCE | 9599.96 | 8540.18 |
| **Total Equity** | | 9604.20 | 8544.42 |
| **LIABILITIES** | | | |
| **Non-Current Liabilities** | | | |
| Financial Liabilities: | | | |
| Borrowings | 11 | 1319.33 | 1238.32 |
| Provisions | 12 | 152.74 | 137.26 |
| Deferred Tax Liabilities (Net) | 13 | 619.01 | 501.17 |
| Other non-current liabilities | 14 | 58.08 | 27.74 |
| **Current Liabilities** | | | |
| Financial Liabilities: | | | |
| Borrowings | 11 | 228.37 | 573.34 |
| Trade Payables | 15 | 1998.96 | 1677.08 |
| Other Financial Liabilities | 16 | 531.12 | 550.85 |
| Other Current Liabilities | 14 | 1638.90 | 1491.62 |
| Provisions | 12 | 142.83 | 120.88 |
| Current Tax Liabilities (Net) | | 8.26 | 62.44 |
| **Total Liabilities** | | 6697.60 | 6380.70 |
| **TOTAL EQUITY AND LIABILITIES** | | 16301.80 | 14925.12 |
| Significant Accounting Policies and key accounting estimates and Judgement | 1 | | |

Accompanying Notes are an integral part of these financial statements.
This is the Balance Sheet referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180
Chennai, Dated 3rd May, 2018

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

**MRF LIMITED, CHENNAI**

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

₹ Crores

| | Note | Year Ended 31.03.2018 | Year ended 31.03.2017 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations | 17 | 15227.07 | 14749.40 |
| Other Income | 18 | 282.48 | 328.61 |
| **TOTAL INCOME** | | 15509.55 | 15078.01 |
| **EXPENSES** | | | |
| Cost of materials consumed | 19 | 8946.93 | 7679.19 |
| Purchases of Stock-in-Trade | 27(m(2)) | 44.89 | 42.38 |
| Changes in inventories of Finished Goods, Stock-in-Trade and Work-in-Progress | 20 | 76.04 | (222.08) |
| Employee Benefits expense | 21 | 1074.65 | 983.14 |
| Finance Costs | 22 | 245.17 | 245.52 |
| Depreciation and Amortisation expense | 2 (a) & (c) | 705.34 | 609.15 |
| Excise Duty | | 405.15 | 1497.18 |
| Other Expenses | 23 | 2409.47 | 2177.16 |
| **TOTAL EXPENSES** | | 13907.64 | 13011.64 |
| **PROFIT BEFORE TAX** | | 1601.91 | 2066.37 |
| TAX EXPENSE | | | |
| Current Tax (Net of Excess Provision of Earlier Years Written back - ₹ 16.84 Crores) | | 390.77 | 457.00 |
| Deferred Tax | | 118.86 | 158.29 |
| **TOTAL TAX EXPENSE** | | 509.63 | 615.29 |
| **PROFIT FOR THE YEAR** | | 1092.28 | 1451.08 |
| **OTHER COMPREHENSIVE INCOME(OCI)** | | | |
| Items that will not be reclassified to Profit or Loss: | | | |
| Remeasurements of Defined benefit plans | | (4.28) | (17.70) |
| Income Tax relating to items that will not be reclassified to Profit or Loss | | 1.48 | 6.13 |
| Items that may be reclassified to Profit or Loss: | | | |
| Designated Cash Flow Hedges | | 1.37 | (8.06) |
| Income tax relating to items that may be reclassified to Profit or Loss | | (0.46) | 2.79 |
| **TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | (1.89) | (16.84) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 1090.39 | 1434.24 |
| **EARNINGS PER EQUITY SHARE** | 27 (q) | | |
| Basic | | 2575.43 | 3421.43 |
| Diluted | | 2575.43 | 3421.43 |
| Significant Accounting Policies and key accounting estimates and Judgement | 1 | | |

Accompanying Notes are an integral part of these financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

Chennai, Dated 3rd May, 2018

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

## STATEMENT OF CHANGES IN EQUITY (SOCE) FOR THE YEAR ENDED 31ST MARCH, 2018

₹ Crores

### EQUITY SHARE CAPITAL

| | Number | As at 31.03.2018 Amount | As at 31.03.2017 Amount |
|---|---|---|---|
| Authorised Share Capital | 9000000 | 9.00 | 9.00 |
| "Issued Share Capital (Excludes 71 bonus shares not issued and not alloted on non-payment of call monies)". | 4241143 | 4.24 | 4.24 |
| Subscribed Share Capital | 4241143 | 4.24 | 4.24 |
| Fully Paid-up Share Capital | 4241143 | 4.24 | 4.24 |
| **Balance at the beginning of the year** | 4241143 | 4.24 | 4.24 |
| Changes in equity share capital during the year | - | - | - |
| **Balance at the end of the reporting year** | 4241143 | 4.24 | 4.24 |

**Rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital**

The company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

The Company has declared two interim dividends aggregating to ₹ 2.54 Crores (Previous year ₹ 2.54 Crores) which has already been distributed during the Financial Year 2017-18.

| **Shares in the Company held by each shareholder holding more than five percent shares** | As at 31.03.2018 | | As at 31.03.2017 | |
|---|---|---|---|---|
| | No. | % | No. | % |
| Comprehensive Investment and Finance Company Private Limited | 439844 | 10.37% | 438914 | 10.35% |
| MOWI (P) Limited | 507984 | 11.98% | 507984 | 11.98% |

₹ Crores

| OTHER EQUITY | Reserves and Surplus | | | | Other Comprehensive Income(OCI) | | TOTAL |
|---|---|---|---|---|---|---|---|
| | Securities Premium | General Reserve | Debenture redemption reserve | Retained Earnings | Effective portion of Cash Flow Hedges | Remeasurements of Defined Benefit Plans | |
| **Balance at the beginning of the comparative year - 1st April, 2016** | **9.42** | **6706.83** | **73.84** | **384.14** | **(0.90)** | **(16.36)** | **7156.97** |
| Profit for the Comparative Year ending 31st March 2017 | - | - | - | 1451.08 | - | - | 1451.08 |
| Other Comprehensive Income for the Comparative Year ending 31st March, 2017 | - | - | - | - | (5.27) | (11.57) | (16.84) |
| **Total Comprehensive Income for the Comparative year** | **-** | | **-** | **1451.08** | **(5.27)** | **(11.57)** | **1434.24** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends and Dividend Distribution Tax; | | | | | | | |
| - Interim Dividends (₹ 6 per share) | - | - | - | (2.54) | - | - | (2.54) |
| - Final Dividend (₹ 94 per share) | - | - | - | (39.87) | - | - | (39.87) |
| - Dividend Distribution Tax | - | - | - | (8.62) | - | - | (8.62) |
| Transfer to General Reserve | - | 1769.41 | - | (1769.41) | - | - | - |
| Transfer (from) / to Debenture Redemption Reserve | - | - | 14.78 | (14.78) | - | - | - |
| **Balance at the beginning of the year** | **9.42** | **8476.24** | **88.62** | **-** | **(6.17)** | **(27.93)** | **8540.18** |
| Profit for the Current Reporting year ending 31st March, 2018 | - | - | - | 1092.28 | - | - | 1092.28 |
| Other Comprehensive Income for the Current Reporting year ending 31st March, 2018 | - | - | - | - | 0.91 | (2.80) | (1.89) |
| **Total Comprehensive Income for the Reporting year** | **-** | **-** | **-** | **1092.28** | **0.91** | **(2.80)** | **1090.39** |

₹ Crores

| OTHER EQUITY (Contd.) | Reserves and Surplus | | | | Other Comprehensive Income(OCI) | | TOTAL |
|---|---|---|---|---|---|---|---|
| | Securities Premium | General Reserve | Debenture redemption reserve | Retained Earnings | Effective portion of Cash Flow Hedges | Remeasure ments of Defined Benefit Plans | |
| **Total Comprehensive Income for the Reporting year** | **-** | **-** | **-** | **1092.28** | **0.91** | **(2.80)** | **1090.39** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends and Dividend Distribution Tax; | - | - | - | - | - | - | - |
| - Interim Dividends (₹ 6 per share) | - | - | - | (2.54) | - | - | (2.54) |
| - Final Dividend (₹ 54 per share) | - | - | - | (22.91) | - | - | (22.91) |
| - Dividend Distribution Tax | - | - | - | (5.16) | - | - | (5.16) |
| Transfer to General Reserve | - | 1046.89 | - | (1046.89) | - | - | - |
| Transfer (from) / to Debenture Redemption Reserve | - | - | 14.78 | (14.78) | - | - | - |
| **Balance at the end of the reporting year ending 31st March, 2018** | **9.42** | **9523.13** | **103.40** | **-** | **(5.26)** | **(30.73)** | **9599.96** |

Note: No reclassification from OCI to Profit and Loss was required during the reporting period and hence no disclosures reconciling the reclassification adjustments have been detailed relating to each component of OCI.

| Nature and Purpose of each component of equity | Nature and Purpose |
|---|---|
| Securities Premium | Amounts received in excess of par value on issue of shares is classified as Securities Premium. |
| General Reserve | General Reserve represents accumulated profits and is created by transfer of profits from Retained Earnings and it is not an item of Other Comprehensive Income and the same shall not be subsequently reclassified to Statement of Profit and Loss. |
| Debenture Redemption Reserve | Debenture Redemption Reserve is created against the balance redemption liability of Debentures issued by the Company as per statutory requirements. |
| Effective portion of Cash Flow Hedges | Gains / Losses on Effective portion of Cashflow Hedges are initially recognized in Other Comprehensive Income as per IND AS 109. These gains or losses are reclassified to the Statement of Profit or Loss when the forecasted transaction affects earnings. |
| Remeasurements of Defined Benefit Plans | Gains / Losses arising on Remeasurements of Defined Benefit Plans are recognised in the Other Comprehensive Income as per IND AS-19 and shall not be reclassified to the Statement of Profit or Loss in the subsequent years. |

This is the Statement of Changes in Equity referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180
Chennai, Dated 3rd May, 2018

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

**MRF LIMITED, CHENNAI**

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

₹ Crores

| | | Year ended 31.03.2018 | | Year ended 31.03 2017 | |
|---|---|---|---|---|---|
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES :** | | | | |
| | NET PROFIT BEFORE TAX | | 1601.91 | | 2066.37 |
| | Adjustment for : | | | | |
| | Depreciation | 705.34 | | 609.15 | |
| | Reversal of Impairment of Assets / Financial Assets | (0.44) | | (1.62) | |
| | Unrealised Exchange (Gain) / Loss | (2.92) | | 0.59 | |
| | Impairment of Financial Assets | - | | 0.45 | |
| | Finance Cost | 245.17 | | 245.52 | |
| | Interest Income | (25.82) | | (31.02) | |
| | Dividend Income | (0.32) | | (0.22) | |
| | Loss / (Gain) on Sale / Disposal of Fixed Assets | 1.03 | | 3.50 | |
| | Fair Value changes in Investments | (226.49) | | (277.31) | |
| | Fair Value changes in Financial Instruments | 24.94 | | 2.19 | |
| | Loss / (Gain) on Sale of Investments | (4.70) | | (0.01) | |
| | Other Adjustments | (2.71) | 713.08 | (0.70) | 550.52 |
| | OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES | | 2314.99 | | 2616.89 |
| | Trade receivables | (169.66) | | (130.18) | |
| | Other receivables | 85.33 | | 78.69 | |
| | Inventories | 220.85 | | (513.18) | |
| | Trade Payable and Provisions | 354.46 | | 175.62 | |
| | Other liabilities | 200.93 | 691.91 | (38.03) | (427.08) |
| | CASH GENERATED FROM OPERATIONS | | 3006.90 | | 2189.81 |
| | Direct Taxes paid | | (465.41) | | (399.62) |
| | NET CASH FROM OPERATING ACTIVITIES | | 2541.49 | | 1790.19 |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| | Purchase of Fixed Assets | (1529.80) | | (1364.76) | |
| | Proceeds from sale of Fixed Assets | 2.65 | | 1.18 | |
| | Purchase of Investments | (2997.46) | | - | |
| | Proceeds from sale of Investments | 2476.56 | | 30.35 | |
| | Fixed Deposits made with Banks | - | | (90.90) | |
| | Fixed Deposits with Banks matured | 54.15 | | - | |
| | Loans (Financial assets) given | (10.79) | | 4.54 | |
| | Interest Income | 22.21 | | 25.48 | |
| | Dividend income | 0.32 | | 0.22 | |
| | NET CASH USED IN INVESTING ACTIVITIES | | (1982.16) | | (1393.89) |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018 (Contd.)

₹ Crores

| | | Year ended 31.03.2018 | | Year ended 31.03 2017 | |
|---|---|---|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | | | | |
| (Repayments) / Proceeds from Working Capital Facilities (Net) | | (344.96) | | 84.91 | |
| Proceeds from Term Loans | | 284.36 | | - | |
| Repayment of Term Loans | | (269.60) | | (73.90) | |
| Repayment of Fixed Deposits | | (1.64) | | (1.97) | |
| Sales Tax Deferral | | (34.93) | | (11.40) | |
| Deferred payment Credit | | (0.43) | | (0.38) | |
| Interest paid | | (241.08) | | (241.54) | |
| Dividend and Corporate Dividend Tax | | (30.61) | | (51.03) | |
| NET CASH FROM FINANCING ACTIVITIES | | | (638.89) | | (295.31) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | (79.56) | | 100.99 |
| CASH AND CASH EQUIVALENTS AS AT 31ST MARCH, 2017 | Refer | | 178.35 | | 77.36 |
| CASH AND CASH EQUIVALENTS AS AT 31ST MARCH, 2018 | Note 9 | | 98.79 | | 178.35 |

Note to Cash Flow Statement:

1. The above Cash Flow Statement has been prepared under the Indirect Method.
2. Reconciliation of Financing Liabilties

₹ Crores

| | 31.03.2018 | 31.03.2017 |
|---|---|---|
| Opening Balance | 2143.14 | 2139.84 |
| Cash inflow/ (outflow) of non-current borrowings | 82.38 | (256.18) |
| Cash inflow /(outflow) of current borrowings | (449.58) | 253.44 |
| Changes in fair values | (1.37) | 8.05 |
| Other Changes | (2.13) | (2.01) |
| Closing Balance | 1772.44 | 2143.14 |

This is the Cash Flow Statement referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

Chennai, Dated 3rd May, 2018

## NOTE 1 - STANDALONE ACCOUNTING POLICIES UNDER IND AS

**A) General Information**

MRF Limited (the "Company") is a limited company, incorporated on 5th November, 1960 in India, whose shares are publicly traded.

The Company is India's largest tyre manufacturer and ranked amongst the Top 20 Global Manufacturers, with 9 state-of-the-art factories across India. It is also India's largest Original Equipment Manufacturer (OEM) tyre supplier with an expansive tyre range from two-wheelers to fighter aircrafts.

The Registered Office is located at No.114, Greams Road, Chennai-600 006.

The company is the ultimate parent of MRF Limited Group.

**B) Basis of preparation of financial statements**

**i. Statement of Compliance**

The financial statements have been prepared in accordance with IND AS as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereto.

**ii. Basis of preparation and presentation**

The principal accounting policies applied in the preparation of these financial statements are set out in Para C below. These policies have been consistently applied to all the years presented.

The financial statements have been prepared on historical cost basis considering the applicable provisions of Companies Act 2013, except for the following material item that has been measured at fair value as required by relevant IND AS. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

a) Certain financial assets/liabilities measured at fair value (refer Note C(18).) and

b) Any other item as specifically stated in the accounting policy.(refer Note 27(h))

The Financial Statement are presented in INR and all values are rounded off to Rupees Crores unless otherwise stated.

The company reclassifies comparative amounts, unless impracticable and whenever the company changes the presentation or classification of items in its financial statements materially. No such material reclassification has been made during the year.

The financial statements of the Company for the year ended 31st March, 2018 were authorised for issue in accordance with a resolution of the directors on 3rd May, 2018.

**iii. Use of Estimate and judgment**

In the application of accounting policy which are described in note (C) below, the management is required to make judgment, estimates and assumptions about the carrying amount of assets and liabilities, income and expenses, contingent liabilities and the accompanying disclosures that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are prudent and reasonable. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future period.

The few critical estimations and judgments made in applying accounting policies are:

Property, Plant and Equipment:

Useful life of Property Plant and Equipment and Intangible

Assets are as specified in Schedule II to the Companies Act, 2013 and on certain assets based on technical advice which considered the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support.

Impairment of Non-financial Assets:

For calculating the recoverable amount of non-financial assets, the company is required to estimate the value-in-use of the asset or the Cash Generating Unit and the fair value less costs to disposal. For calculating value in use the company is required to estimate the cash flows to be generated from using the asset. The fair value of an asset is estimated using a valuation technique where observable prices are not available. Further, the discount rate used in value in use calculations includes an estimate of risk assessment specific to the asset.

Impairment of Financial Assets:

The company impairs financial assets other than those measured at fair value through profit or loss or designated at fair value through other comprehensive income on expected credit losses. The estimation of expected credit loss includes the estimation of probability of default (PD), loss given default (LGD) and the exposure at default (EAD). Estimation of probability of default apart from involving trend analysis of past delinquency rates include an estimation on forward-looking information relating to not only the counterparty but also relating to the industry and the economy as a whole. The probability of default is estimated for the entire life of the contract by estimating the cash flows that are likely to be received in default scenario. The lifetime PD is reduced to 12 month PD based on an assessment of past history of default cases in 12 months. Further, the loss given default is calculated based on an estimate of the value of the security recoverable as on the reporting date. The exposure at default is the amount outstanding at the balance sheet date.

Defined Benefit Plans:

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and attrition rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.(refer Note 27(h))

Fair Value Measurement of Financial Instruments:

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

## C) Summary of Significant Accounting Policies

### 1) Property, Plant and Equipment (PPE)

For transition to IND AS, the Company has elected to continue with the carrying value of Property, Plant and Equipment ('PPE') recognised as of the transition date, measured as per the Previous GAAP and use that carrying value as its deemed cost of the PPE as on the transition date.

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is not depreciated. Cost includes purchase price after deducting trade discount /

rebate, import duties, non-refundable taxes, cost of replacing the component parts, borrowing costs and other directly attributable cost of bringing the asset to its working condition in the manner intended by the management, and the initial estimates of the cost of dismantling /removing the item and restoring the site on which it is located.

Spare parts procured along with the Plant and Equipment or subsequently which has a useful life of more than 1 year and considering the concept of materiality evaluated by management are capitalised and added to the carrying amount of such items. The carrying amount of items of PPE and spare parts that are replaced is derecognised when no future economic benefits are expected from their use or upon disposal. Other machinery spares are treated as 'stores and spares' forming part of the inventory. If the cost of the replaced part is not available, the estimated cost of similar new parts is used as an indication of what the cost of the existing part was when the item was acquired.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in Statement of Profit and Loss when asset is derecognised.

The depreciable amount of an asset is determined after deducting its residual value. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation charge is recognised till the asset's residual value decreases below the asset's carrying amount. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the intended manner. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IND AS 105 and the date that the asset is derecognised.

| **Description of the Asset** | **Estimated Useful life** |
|---|---|
| Tangible: | |
| Land – Leasehold | Primary period of lease |
| Building – Factory<br>– Other than factory buildings | 30 Years<br>60 Years |
| Plant and Equipment | 5-10 Years |
| Moulds | 6 Years |
| Furniture and Fixtures | 5 Years |
| Computer Servers | 5 Years |
| Computers | 3 Years |
| Office Equipment | 5 Years |
| Other Assets, viz., Electrical Fittings, Fire Fighting/ Other Equipments and Canteen Utensils | 10 Years |
| Renewable Energy Saving Device – Windmills | 22 Years |
| Vehicles | 5 Years |
| Intangible: | |
| Software | 5 Years |

Depreciation on the property, plant and equipment, is provided over the useful life of assets based on management estimates which is in line with the useful life indicated in Schedule II to the Companies Act, 2013. Depreciation on all assets except Renewable Energy Saving Devices is provided on straight line basis whereas depreciation on renewable energy saving devices is provided on reducing balance basis. Plant and Machinery, Moulds, Vehicles, Furniture and Fixtures and Computer Servers are depreciated based on management estimate of the useful life of the assets, and is after considering the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support.

Depreciation on fixed assets added/disposed off during the year is provided on pro rata basis with reference to the date of addition/disposal.

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

**2) Intangible Assets:**

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Software (not being an integral part of the related hardware) acquired for internal use are treated as intangible assets.

An item of Intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any profit or loss 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 over 5 years on straight-line method over the estimated useful economic life of the assets.

The company undertakes Research and Development activities for development of new and improved products. All expenditure incurred during Research and Development are analysed into research phase and development phase. The company recognises all expenditure incurred during the research phase in the profit or loss whereas the expenditure incurred in development phase are presented as Intangible Assets under Development till the time they are available for use in the manner intended at which moment they are treated as Intangible Assets and amortised over their estimated useful life.

**3) Impairment of tangible (PPE) and intangible assets:**

At the end of each reporting period, the Company reviews the carrying amounts of its PPE and other intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. 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. The resulting impairment loss is recognised in the Statement of Profit and Loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised in the Statement of Profit and Loss.

**4) Inventories:**

Inventories consisting of stores and spares, raw materials, Work in progress, Stock in Trade and finished goods are valued at lower of cost and net realisable value. However, materials held for use in production of inventories are not written down below cost, if the finished products are expected to be sold at or above cost.

The cost is computed on FIFO basis except for stores and spares which are on daily moving Weighted Average Cost basis and is net of inputs tax credits under various tax laws.

Goods and materials in transit include materials, duties and taxes (other than those subsequently recoverable from tax authorities) labour cost and other related overheads incurred in bringing the inventories to their present location and condition.

Traded goods includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

Inventory obsolescence is based on assessment of the future uses. Obsolete and slow moving items are subjected to continuous technical monitoring and are valued at lower of cost and estimated net realisable value. When Inventories are sold, the carrying amount of those items are recognised as expenses in the period in which the related revenue is recognised.

**5) <u>Leases:</u>**

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

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item (i.e. PPE), are generally capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of minimum lease payments. Where the company has right to sell the leased asset at fair value on the date of sale, it is considered that substantially all the risks and benefits incidental to ownership of the leased items have been transferred. Lease payments are apportioned between finance charges and a reduction in lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit and Loss.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to Statement of Profit and Loss over the period of lease on straight line basis other than those cases where the escalations are linked to expected general inflation in which case they are charged on contractual terms.

**6) <u>Government Grants:</u>**

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the Statement of Profit and Loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities in respect of loans/ assistance received subsequent to the date of transition.

**7) <u>Provisions, Contingent Liabilities and Contingent Assets:</u>**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event and it is probable (i.e. more likely than not) 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. Such provisions are determined based on management estimate of the amount required to settle the obligation at the balance sheet date. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a standalone asset only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received from it.

Contingent liabilities are disclosed on the basis of judgment of management / independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

Provisions for warranty-related costs are recognised when the product is sold to the customer. Initial recognition is based on scientific basis as per past trends of such claims. The initial estimate of warranty-related costs is revised annually.

Contingent Assets are not recognised, however, disclosed in financial statement when inflow of economic benefits is probable.

**8) <u>Foreign Currency Transactions:</u>**

The financial statements of Company are presented in INR, which is also the functional currency. In preparing the financial statements, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. The date of transaction in case of advance receipts is determined considering the advance receipts and subsequent exports as a single transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling on the date of transaction.

**9) <u>Share Capital and Share Premium:</u>**

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax from the proceeds. Par value of the equity share is recorded as share capital and the amount received in excess of the par value is classified as share premium.

**10) <u>Dividend Distribution to equity shareholders:</u>**

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in other equity along with any tax thereon.

**11) <u>Cash Flows and Cash and Cash Equivalents:</u>**

Statement of cash flows is prepared in accordance with the indirect method prescribed in the relevant IND AS. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cheques and drafts on hand, deposits held with Banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and book overdrafts. However, Book overdrafts are to be shown within borrowings in current liabilities in the balance sheet for the purpose of presentation.

**12) Revenue Recognition:**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Sale of Goods

Revenue from sale of goods is recognised, when all significant risks and rewards are transferred to the buyer, as per the terms of the contracts and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods. It includes excise duty and excludes value added tax/sales tax/Goods and Service Tax. It is measured at fair value of consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services

Revenue from rendering of services is recognised as per the terms of the contract with customers when related services are performed and when the outcome of the transactions involving rendering of services can be estimated reliably.

Dividend Income

Dividend Income is accounted for when the right to receive the same is established, which is generally when shareholders approve the dividend.

Interest Income

Interest Income on financial assets measured at amortised cost is recognised on a time-proportion basis using the effective interest method.

**13) Borrowing costs:**

Borrowing cost includes interest, commitment charges, brokerage, underwriting costs, discounts / premiums, financing charges, exchange difference to the extent they are regarded as interest costs and all ancillary / incidental costs incurred in connection with the arrangement of borrowing.

Borrowing costs which are directly attributable to acquisition / construction of qualifying assets that necessarily takes a substantial period of time to get ready for its intended use are capitalised as a part of cost pertaining to those assets. All other borrowing costs are recognised as expense in the period in which they are incurred.

The company identifies the borrowings into specific borrowings and general borrowings. Specific borrowings are borrowings that are specifically taken for the purpose of obtaining a qualifying asset. Borrowing cost incurred on specific borrowings are capitalised to the cost of the qualifying asset. For general borrowings, the company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset based on the weighted average of the borrowing costs applicable to general borrowings. The capitalisation on borrowing costs commences when the company incurs expenditure for the asset, incurs borrowing cost and undertakes activities that are necessary to prepare the asset for its intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development of a qualifying asset is suspended. The capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

**14) Employee Benefits:**

a) Short term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering services are classified as short term employee benefits. Benefits such as salaries, wages, short-term compensated absences, performance incentives etc., are recognised during the period in which the employee renders related services and are measured at undiscounted amount expected to be paid when the liabilities are settled.

b) Long Term Employee Benefits:

The cost of providing long term employee benefit such as earned leave is measured as the present value of expected future payments to be made in respect of services provided by employees upto the end of the reporting period. The expected costs of the benefit is accrued over the period of employment using the same methodology as used for defined benefits post employment plans. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Profit or Loss in which they arise except those included in cost of assets as permitted. The benefit is valued annually by independent actuary.

c) Post Employment Benefits:

The Company provides the following post employment benefits:

i) Defined benefit plans such as gratuity, trust managed Provident Fund and post-retirement medical benefit (PRMB); and

ii) Defined contributions plan such as provident fund, pension fund and superannuation fund.

d) Defined benefits Plans:

The cost of providing benefits on account of gratuity and post retirement medical benefits / obligations are determined using the projected unit credit method on the basis of actuarial valuation made at the end of each balance sheet date, which recognises each period of service as given rise to additional unit of employees benefit entitlement and measuring each unit separately to build up the final obligation. The yearly expenses on account of these benefits are provided in the books of accounts.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss except those included in cost of assets as permitted.

Re-measurements comprising of actuarial gains and losses arising from experience adjustments and change in actuarial assumptions, the effect of change in assets ceiling (if applicable) and the return on plan asset (excluding net interest as defined above) are recognised in other comprehensive income (OCI) except those included in cost of assets as permitted in the period in which they occur. Re-measurements are not reclassified to the Statement of Profit and Loss in subsequent periods.

Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) is recognised in the Statement of Profit and Loss except those included in cost of assets as permitted in the period in which they occur.

Eligible employees of the company receive benefits from a provident fund trust which is a defined benefit plan. Both the eligible employee and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employees salary. The Company contributes a part of the contribution to the provident fund trusts. The trusts invests in specific designated instruments as permitted by Indian Law. The remaining portion is contributed to the Government Administered Pension Fund. The rate at which the annual interest is payable to the beneficiaries by the trusts is administered by the Government. The Company has obligation to make good the shortfall, if any, between the return from investments of the Trusts and the notified interest rate. However, as at the year-end no shortfall remains unprovided for.

e) Defined Contribution Plans:

Payments to defined contribution retirement benefit plans, viz., Provident Fund for certain eligible employees, Pension Fund and Superannuation benefits are recognised as an expense when employees have rendered the service entitling them to the contribution.

**15) Taxes on Income:**

Income tax expense represents the sum of tax currently payable and deferred tax. Tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

a) Current Tax:

Current tax includes provision for Income Tax computed under Special provision (i.e., Minimum alternate tax) or normal provision of Income Tax Act. Tax on Income for the current year is determined on the basis on estimated taxable income and tax credits computed in accordance with the provisions of the relevant tax laws and based on the expected outcome of assessments/appeals.

b) Deferred Tax:

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unabsorbed losses and unabsorbed depreciation to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unabsorbed losses and unabsorbed depreciation can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Minimum Alternate Tax(MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the company will pay normal income tax during the specified period.

**16) Earnings per Share:**

Basic earnings per share is calculated by dividing the profit from continuing operations and total profit, both attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year.

**17) Current versus non-current classification:**

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification.

a) An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the 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.

b) A liability is current when:

- It is expected to be settled in the 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.

All other liabilities are classified as non-current.

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

**18) <u>Fair value measurement:</u>**

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of asset and liability if market participants would take those into consideration. Fair value for measurement and / or disclosure purposes in these financial statements is determined in such basis except for transactions in the scope of IND AS 2, 17 and 36. Normally at initial recognition, the transaction price is the best evidence of fair value.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial assets and financial liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

Financial assets and financial liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

19) **<u>Financial Instruments:</u>**

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. The Company recognises a financial asset or financial liability in its balance sheet only when the entity becomes party to the contractual provisions of the instrument.

a) **<u>Financial Assets</u>**

A financial asset inter-alia includes any asset that is cash, equity instrument of another entity or contractual obligation to receive cash or another financial asset or to exchange financial asset or financial liability under condition that are potentially favourable to the Company.

<u>Investments in subsidiaries</u>

Investments in equity shares of subsidiaries are carried at cost less impairment. Impairment is provided for on the basis explained in Paragraph (3) of Note C above.

<u>Financial assets other than investment in subsidiaries</u>

Financial assets of the Company comprise trade receivable, cash and cash equivalents, Bank balances, Investments in equity shares of companies other than in subsidiaries, investment other than equity shares, loans/ advances to employee / related parties / others, security deposit, claims recoverable etc.

<u>Initial recognition and measurement</u>

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit and Loss. Where transaction price is not the measure of fair value and fair value is determined using a valuation method that uses data from observable market, the difference between transaction price and fair value is recognised in Statement of Profit and Loss and in other cases spread over life of the financial instrument using effective interest method.

<u>Subsequent measurement</u>

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

- Financial assets measured at amortized cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

<u>Financial assets measured at amortized cost</u>

Financial assets are measured at amortized cost if the financials asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are amortized using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss in finance costs.

<u>Financial assets at fair value through OCI (FVTOCI)</u>

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, an irrevocable election is made (on an instrument-by-instrument basis) to designate investments in equity instruments other than held for trading purpose at FVTOCI. Fair value changes are recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the income statement. On derecognition of the financial asset other than equity instruments, cumulative gain or loss previously recognised in OCI is reclassified to Profit or Loss.

<u>Financial assets at fair value through profit or loss (FVTPL)</u>

Any financial asset that does not meet the criteria for classification as at amortized cost or as financial assets at fair value through other comprehensive income, is classified as financial assets at fair value through profit or loss. Further, financial assets at fair value through profit or loss also include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are fair valued at each reporting date with all the changes recognised in the Statement of profit and loss.

<u>Derecognition</u>

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

<u>Impairment of financial assets</u>

The Company assesses impairment based on expected credit loss (ECL) model on the following:

- Financial assets that are measured at amortised cost.
- Financial assets measured at fair value through other comprehensive income (FVTOCI).

ECL is measured through a loss allowance on a following basis after considering the value of recoverable security:-

- The 12 month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after the reporting date)
- Full life time expected credit losses (expected credit losses that result from all possible default events over the life of financial instruments)

The Company follows 'simplified approach' for recognition of impairment on trade receivables or contract assets resulting from normal business transactions. The application of simplified approach does not require the Company to track changes in credit risk. However, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, from the date of initial recognition.

For recognition of impairment loss on other financial assets, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has increased significantly, lifetime ECL is provided. For assessing increase in credit risk and impairment loss, the Company assesses the credit risk characteristics on instrument-by-instrument basis.

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.

Impairment loss allowance (or reversal) recognised during the period is recognised as expense/income in the statement of profit and loss.

Financial Liabilities

The Company's financial liabilities include loans and borrowings including book overdraft, trade payable, accrued expenses and other payables.

Initial recognition and measurement

All financial liabilities at initial recognition are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss, 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. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the Statement of Profit and Loss or in the "Expenditure Attributable to Construction" if another standard permits inclusion of such cost in the carrying amount of an asset over the period of the borrowings using the effective rate of interest.

Subsequent measurement

The subsequent measurement of financial liabilities depends upon the classification as described below:-

Financial Liabilities classified as Amortised Cost:

Financial Liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. 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 Effective Interest Rate. Interest expense that is not capitalised as part of costs of assets is included as Finance costs in the Statement of Profit and Loss.

Financial Liabilities at Fair value through profit and loss (FVTPL)

FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Financial liabilities have not been designated upon initial recognition at FVTPL.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged / cancelled / expired. 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 de recognition 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.

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.

**b) Derivatives**

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The resulting gain or loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and effective as a hedging instrument and is recognised in Other Comprehensive Income (OCI). Cash flow hedges shall be reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

**D) Recent accounting pronouncements**

The Ministry of Corporate Affairs (MCA), on 28th March 2018, notified IND AS 115, Revenue from Contracts with Customers and Appendix B to IND AS 21, The Effects of Changes in Foreign Exchange Rates as part of the Companies (Indian Accounting Standards) Amendment Rules, 2018. These amendments will come into force from 1st April, 2018.

IND AS 115 – Revenue from Contract with Customers:

IND AS 115 will supersede the current revenue recognition guidance including IND AS 18, Revenue, IND AS 11, Construction contracts and the related interpretations when it becomes effective.

The core principle of IND AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Identify the contract(s) with a customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contract and Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IND AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IND AS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by IND AS 115.

Appendix B to IND AS 21, Foreign currency transactions and advance consideration:

It clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, as when an entity has received or paid advance consideration in a foreign currency.

The Company has evaluated the effect of these amendments on the financial statement and the impact is not expected to be material.

(₹ Crores)

| NOTE 2 (a): PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | | | Note 2 (c) : INTANGIBLES |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | Land | | Buildings | Plant and equipment | Furniture and fixtures | Vehicles | Office equipment | Computers | Moulds | Other Assets | Total | Computer Software |
| | Freehold | Leased | | | | | | | | | | |
| **Gross Block** | | | | | | | | | | | | |
| **Carrying Value as at 31.03.2017** | **524.22** | **84.53** | **1433.92** | **3995.95** | **13.46** | **25.27** | **22.59** | **29.58** | **325.45** | **237.19** | **6692.16** | **20.97** |
| Additions | 1.87 | - | 338.68 | 778.54 | 3.92 | 4.92 | 5.36 | 7.25 | 88.96 | 57.30 | 1286.80 | 9.95 |
| Disposals * | - | - | (2.71) | (33.07) | (0.55) | (1.78) | (0.73) | (4.64) | (14.23) | (3.11) | (60.82) | (0.02) |
| **Carrying Value as at 31.03.2018** | **526.09** | **84.53** | **1769.89** | **4741.42** | **16.83** | **28.41** | **27.22** | **32.19** | **400.18** | **291.38** | **7918.14** | **30.90** |
| Depreciation Block | | | | | | | | | | | | |
| **Accumulated depreciation / amortisation as at 31.03.2017** | **-** | **0.37** | **83.08** | **944.39** | **6.12** | **7.44** | **8.90** | **14.52** | **97.08** | **55.91** | **1217.81** | **7.74** |
| Depreciation / Amortisation for the year | - | 0.92 | 51.07 | 519.89 | 3.03 | 5.62 | 5.34 | 7.26 | 66.69 | 39.81 | 699.63 | 5.71 |
| Disposals | - | - | (0.20) | (32.28) | (0.50) | (1.63) | (0.73) | (4.63) | (14.16) | (3.01) | (57.14) | (0.02) |
| **Accumulated depreciation / Amortisation as at 31.03.2018** | **-** | **1.29** | **133.95** | **1432.00** | **8.65** | **11.43** | **13.51** | **17.15** | **149.61** | **92.71** | **1860.30** | **13.43** |
| **Net Block** | | | | | | | | | | | | |
| **As at 31.03.2017** | **524.22** | **84.16** | **1350.84** | **3051.56** | **7.34** | **17.83** | **13.69** | **15.06** | **228.37** | **181.28** | **5474.35** | **13.23** |
| **As at 31.03.2018** | **526.09** | **83.24** | **1635.94** | **3309.42** | **8.18** | **16.98** | **13.71** | **15.04** | **250.57** | **198.67** | **6057.84** | **17.47** |

| NOTE 2 (b). CAPITAL WORK-IN-PROGRESS | |
|---|---|
| **As at 31.03.2017** | **846.96** |
| **As at 31.03.2018** | **1078.84** |

Note: 1. Freehold land includes agricultural land - ₹ 0.12 Crores (31.03.2017 - ₹ 0.12 Crores).

2. Other assets represents Electrical Fittings, Fire Fighting/Other Equipments and Canteen Utensils.

3. The amount of Borrowing Cost capitalised during the year ended 31.03.2018 - ₹ 3.02 Crores (Year ended 31.03.2017 - ₹ 10.01 Crores).

4. The Company has classified the leasehold land as a finance lease, after exercise of judgement based on evaluation of facts and circumstances and considering the indicators envisaged in Para 10 and 11 of IND AS 17 "Leases".

5. Capital expenditure on Research and Development (including Building) during the year - ₹ 110.86 Crores (previous year - ₹ 158.92 Crores) refer Note 27 i (ii).

* Cost of Freehold land sold during the year - ₹ 1831/-.

## NOTE 3: INVESTMENTS

| | Face Value ₹ | No. of Shares / Units (in Nos.) As at 31.03.2018 | As at 31.03.2017 | (₹ Crores) As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|---|---|
| **Non-Current Investments** | | | | | |
| **Fully Paid-up** | | | | | |
| **Quoted - Non Trade** | | | | | |
| **Equity Shares (at fair value through Profit or Loss )** | | | | | |
| Equity Shares in ICICI Bank Ltd. | 2 | 116665 | 116665 | 3.25 | 3.23 |
| Equity Shares in EIH Associated Hotels Ltd. | 10 | 2000 | 2000 | 0.10 | 0.07 |
| Equity Shares in Housing Development Finance Corporation Ltd. | 2 | 4000 | 4000 | 0.73 | 0.60 |
| Equity Shares in JK Tyres & Industries Ltd.- ₹ 26,887 (31.03.2017 - ₹ 21,772) | 2 | 165 | 165 | - | - |
| Equity Shares in Bengal & Assam Company Limited-₹ 4,198 (31.03.2017 - ₹ 3,421) | 10 | 2 | 2 | - | - |
| Equity Shares in HDFC Bank Ltd. | 2 | 2000 | 2000 | 0.38 | 0.29 |
| **Aggregate Amount of Quoted Investments** | | | | 4.46 | 4.19 |
| **Unquoted - In Mutual Fund Units: (at fair value through Profit or Loss)** | | | | | |
| **Income Plan: Growth Option** | | | | | |
| HDFC High Interest Fund- Short Term Plan- Regular Plan | 10 | 34772317 | 37492354 | 120.30 | 122.63 |
| HDFC Short Term Plan - Regular Plan | 10 | - | 5946232 | - | 19.27 |
| Aditya Birla Sun life Dynamic Bond Fund - Direct Plan | 10 | 8765778 | 8765778 | 27.04 | 26.05 |
| Aditya Birla Sun life Dynamic Bond Fund - Regular Plan | 10 | - | 29525827 | - | 85.72 |
| Reliance Short Term Fund - Growth Plan Growth Option - STGP | 10 | - | 6095089 | - | 18.78 |
| ICICI Prudential Institutional Short term Plan - Cumulative Option | 10 | - | 2717258 | - | 9.59 |
| Sundaram Fixed Term Plan GY-Direct Plan | 10 | - | 30000000 | - | 34.86 |
| IDFC Ultra Short Term Fund-( Regular Plan) | 10 | - | 1866670 | - | 4.30 |
| SBI SHF Ultra Short Term Debt Fund - Regular Plan | 1,000 | - | 61558 | - | 12.93 |
| HDFC High Interest Fund- Dynamic Plan - Direct - Growth Option | 10 | 1935998 | 1935998 | 11.88 | 11.34 |
| HDFC Medium Term Opportunities Fund- Direct Plan- Growth Option | 10 | 24691641 | 24691641 | 47.92 | 44.88 |
| Aditya Birla Sun life Short Term Fund - Direct Plan | 10 | 2045716 | 2045716 | 13.67 | 12.79 |
| Aditya Birla Sun life Short Term Fund - Regular Plan | 10 | 5618909 | 5618909 | 37.34 | 34.99 |
| Aditya Birla Sun life Short Term Opportunities Fund - Regular Plan | 10 | 4718438 | 4718438 | 13.62 | 12.80 |
| Aditya Birla Sun life Treasury Optimizer Plan - Direct Plan | 100 | 674241 | 617679 | 15.14 | 12.99 |
| Aditya Birla Sun life Treasury Optimizer Plan - Regular Plan | 100 | 1744625 | 1744625 | 38.66 | 36.32 |
| Aditya Birla Sun life Floating Rate Fund Long Term - Regular Plan | 100 | 779493 | 779493 | 16.58 | 15.50 |
| Aditya Birla Sun Life Short Term Opportunities Fund - Direct Plan | 10 | 13067518 | 13067518 | 38.84 | 36.29 |
| IDFC Super Saver Income Fund- Medium Term Plan - Regular Plan | 10 | 36400615 | 36400615 | 105.88 | 100.93 |
| IDFC Ultra Short Term Fund- Direct Plan | 10 | 6413102 | 6413102 | 15.90 | 14.85 |
| DHFL Pramerica Short Maturity Fund | 10 | - | 7504245 | - | 22.36 |
| TATA Short Term Bond Fund - Regular Plan | 10 | 10896570 | 10896570 | 35.18 | 33.31 |
| UTI Short Term Income Fund- Institutional Option-Direct Plan | 10 | - | 5763855 | - | 11.71 |

## NOTE 3: INVESTMENTS (Contd.)

| | Face Value ₹ | No. of Shares / Units (in Nos.) As at 31.03.2018 | As at 31.03.2017 | (₹ Crores) As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|---|---|
| UTI Short Term Income Fund- Institutional Option | 10 | - | 60766664 | - | 121.16 |
| UTI- Treasury Advantage Fund-Institutional Plan | 1,000 | - | 68805 | - | 15.42 |
| ICICI Prudential Short Term Option Plan | 10 | 26480287 | 26480287 | 95.89 | 90.36 |
| HDFC High Interest Fund - Dynamic Plan - Regular Plan | 10 | 6073551 | 6073551 | 35.79 | 34.40 |
| HDFC Floating Rate Income Fund- Short term plan whole sale option - Regular Plan | 10 | 2421650 | 2421650 | 7.32 | 6.85 |
| Sundaram Ultra Short Term Fund Regular | 10 | 7089864 | 7089864 | 16.81 | 15.79 |
| Sundaram Select Debt Short Term Asset Plan Regular | 10 | 12622926 | 12622926 | 37.60 | 35.49 |
| Aditya Birla Sun Life Dynamic Bond Fund- Regular Plan | 10 | 12534372 | - | 37.58 | - |
| IDFC Cash Fund-Growth- (Direct Plan) | 1,000 | 351428 | - | 74.16 | - |
| ICICI Prudential Short Term - Direct Plan - Growth Option | 10 | 21657408 | - | 81.22 | - |
| ICICI Prudential Flexible Income - Direct Plan - Growth Option | 100 | 2454364 | - | 82.24 | - |
| HDFC Floating Rate Income Fund-Short Term Plan- Direct Plan- Wholesale Option-Growth Option | 10 | 12855285 | - | 39.05 | - |
| HDFC Liquid Fund - Direct Plan - Growth Option | 1,000 | 60272 | - | 20.63 | - |
| **Non-Trade - Unquoted** | | | | | |
| **Others: (at fair value through Profit or Loss)** | | | | | |
| Equity Shares in Mammen Mappillai Investments Pvt. Ltd. | 10 | 65000 | 65000 | 0.07 | 0.07 |
| Ordinary Shares in MRF Employees Co-operative Society Ltd.-₹ 40000 (31.03.2017 - ₹ 40000) | 25 | 1600 | 1600 | - | - |
| Ordinary Shares in The Ranipet Leather Finishing Servicing Industrial Co-operative Society Ltd.₹ 5000 (31.03.2017 -₹ 5000) | 100 | 50 | 50 | - | - |
| Equity Shares in Chennai Willingdon Corporate Foundation-₹ 50 (31.03.2017 - ₹ 50) | 10 | 5 | 5 | - | - |
| Note: The Company had invested in Co-operative Societies and in certain other companies towards the corpus. These are non participative shares and normally no dividend is accrued. The Company has carried these investments at its transaction value considering it to be its fair value. | | | | | |
| **Trade - Unquoted** | | | | | |
| **Subsidiary Companies: (At Cost)** | | | | | |
| Ordinary Shares in MRF SG Pte Ltd | - | 1273200 | 1273200 | 6.11 | 6.11 |
| Equity Shares in MRF Corp Ltd. ₹ 1500 (31.03.2017 ₹ 1500) | 10 | 50100 | 50100 | - | - |
| Equity Shares in MRF International Ltd. | 10 | 532470 | 532470 | 0.53 | 0.53 |
| Equity Shares in MRF Lanka Pvt. Ltd. | Sri Lankan Rupee 10 | 34160324 | 34160324 | 15.01 | 15.01 |
| **Aggregate Amount of Unquoted Investments** | | | | 1087.96 | 1076.38 |
| **Grand Total** | | | | 1092.42 | 1080.57 |

## NOTE 3: INVESTMENTS (Contd.)

| | Face Value ₹ | No. of Shares / Units (in Nos.) As at 31.03.2018 | As at 31.03.2017 | (₹ Crores) As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|---|---|
| **Current Investments** | | | | | |
| **Fully paid up - Unquoted - Non Trade** | | | | | |
| **Unquoted - In Mutual Fund Units: (at fair value through Profit or Loss )** | | | | | |
| **Income Plan: Growth Option** | | | | | |
| UTI - Liquid Cash Plan - Institutional | 1,000 | - | 149355 | - | 39.68 |
| UTI - Treasury Advantage Fund - Institutional Plan | 1,000 | - | 1196542 | - | 268.22 |
| ICICI Prudential Savings Fund | 100 | - | 1215844 | - | 29.73 |
| ICICI Prudential Flexible Income | 100 | 5586259 | 7367845 | 186.20 | 229.39 |
| ICICI Prudential Liquid Plan | 100 | 2884989 | 394396 | 74.18 | 9.47 |
| ICICI Prudential Short Term - Option Plan | 10 | 4199807 | 4199807 | 15.21 | 14.33 |
| Reliance Liquid Fund-Cash Plan-Growth Option - CPG Plan | 1,000 | - | 115318 | - | 29.34 |
| Reliance Money Manager Fund-Growth Plan - Growth Option - LPIG | 1,000 | - | 168599 | - | 37.81 |
| Reliance Medium Term Fund - Growth Plan - Growth Option - IPGP | 10 | - | 5266727 | - | 17.97 |
| Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option - LFIG | 1,000 | - | 13684 | - | 5.41 |
| HDFC Cash Management Fund - Treasury - Advantage plan - Wholesale - Regular Plan | 10 | - | 16607563 | - | 59.89 |
| HDFC Regular Savings Fund - Regular Plan- Growth Option | 10 | 4393376 | 4393376 | 15.13 | 14.24 |
| HDFC Liquid Fund - Regular Plan - Premium Plan | 1,000 | - | 93198 | - | 30.37 |
| HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option -Regular Plan | 10 | 57992970 | 97124594 | 175.39 | 274.57 |
| HDFC Liquid Fund - Regular Plan | 1,000 | - | 29580 | - | 9.46 |
| Aditya Birla Sun Life Floating Rate Fund Short Term Plan - Regular Plan | 100 | - | 1406187 | - | 30.41 |
| Aditya Birla Sun Life Cash Manager- Institutional Plan | 100 | - | 1891226 | - | 52.00 |
| Aditya Birla Sun Life Floating Rate Fund Long Term - Regular Plan | 100 | 7117204 | 7844428 | 151.43 | 155.94 |
| Aditya Birla Sun Life Cash Plus - Regular Plan | 100 | - | 364072 | - | 9.48 |
| Aditya Birla Sun Life Treasury Optimizer Plan - Regular Plan | 100 | 848006 | 2259785 | 18.79 | 47.05 |
| Aditya Birla Sun Life Savings Fund - Regular Plan | 100 | 5358593 | 5358593 | 183.21 | 170.75 |
| Aditya Birla Sun Life Short Term Opportunities Fund - Regular Plan | 10 | 5242908 | 5242908 | 15.13 | 14.23 |
| Kotak Flexi Debt Regular Plan - Regular | 10 | - | 12983092 | - | 27.25 |
| Kotak Liquid Regular Plan - Regular | 1,000 | - | 28752 | - | 9.46 |
| SBI SHF- Ultra Short Term Fund - Institutional Plan | 1,000 | - | 207399 | - | 44.33 |
| SBI Ultra Short Term Debt Fund - Regular Plan | 1,000 | - | 307774 | - | 64.65 |

## NOTE 3: INVESTMENTS (Contd.)

| | Face Value ₹ | No. of Shares / Units (in Nos.) As at 31.03.2018 | As at 31.03.2017 | (₹ Crores) As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|---|---|
| SBI Premier Liquid Fund - Regular Plan | 1,000 | - | 37116 | - | 9.45 |
| IDFC Ultra Short Term Fund - Direct Plan | 10 | 123286612 | 66879275 | 305.71 | 154.84 |
| IDFC Ultra Short Term Fund- (Regular Plan) | 10 | - | 20165731 | - | 46.44 |
| IDFC Cash Fund - (Regular Plan) | 1,000 | - | 47988 | - | 9.46 |
| IDFC Super Saver Income Fund-Medium Term Plan- (Regular Plan) | 10 | 5130715 | 5130715 | 14.92 | 14.23 |
| Sundaram Ultra Short-Term Fund Regular Plan | 10 | 71203949 | 71203949 | 168.80 | 158.52 |
| Tata Liquid Plan Fund Regular plan | 1,000 | - | 31599 | - | 9.44 |
| TATA Ultra Short term Fund Regular Plan | 1,000 | 616955 | 616955 | 162.50 | 152.09 |
| Aditya Birla Sun Life Fixed Term Plan - Series LX (1099 days) - Regular | 10 | - | 3000000 | - | 3.75 |
| DHFL Pramerica Fixed Maturity Plan - Series 77 - Regular | 10 | - | 7000000 | - | 8.83 |
| HDFC FMP 1128D September 2014 (1) Series 32 - Regular | 10 | - | 10000000 | - | 12.48 |
| HDFC FMP1134D September 2014 (1) Series 32 - Regular | 10 | - | 16000000 | - | 20.23 |
| ICICI Prudential FMP Series 75-1100 Days Plan J Cumulative | 10 | - | 10000000 | - | 12.37 |
| Sundaram Fixed Term Plan GK 1120 days Regular | 10 | - | 5000000 | - | 6.22 |
| Kotak Liquid Direct Plan - Growth Option | 1,000 | 330799 | - | 116.51 | - |
| Aditya Birla Sun Life Cash Plus - Direct Plan | 100 | 3552093 | - | 99.22 | - |
| SBI Premier Liquid Fund - Direct Plan- Growth Option | 1,000 | 427460 | - | 116.46 | - |
| Sundaram Ultra Short- Term Fund - Direct Plan - Growth Option | 10 | 57254944 | - | 139.40 | - |
| Sundaram Money Fund - Direct Plan - Growth Option | 10 | 20241175 | - | 74.15 | - |
| Sundaram Fixed Term Plan- GY Direct Growth Option | 10 | 30000000 | - | 37.34 | - |
| TATA Liquid Fund - Direct Plan - Growth Option | 1,000 | 269193 | - | 86.24 | - |
| IDFC Super Saver Income Fund-Medium Term Plan - Growth - Direct Plan | 10 | 26330795 | - | 79.40 | - |
| ICICI Prudential Short Term - Direct Plan - Growth Option | 10 | 15483787 | - | 58.07 | - |
| ICICI Prudential Flexible Income - Direct Plan - Growth Option | 100 | 1735507 | - | 58.15 | - |
| HDFC Liquid Fund - Direct Plan - Growth Option | 1,000 | 278480 | - | 95.35 | - |
| HDFC Floating Rate Income Fund-Short Term Plan-Direct Plan - Wholesale Option - Growth Option | 10 | 32665249 | - | 99.24 | - |
| L&T Liquid Fund- Direct Plan- Growth Option | 1,000 | 637252 | - | 151.85 | - |
| Aditya Birla Sun Life Savings Fund- Direct Plan | 100 | 4023135 | - | 138.37 | - |
| Aditya Birla Sun Life Short Term Opportunities Fund- Direct Plan | 10 | 26813681 | - | 79.69 | - |
| Aditya Birla Sun life Treasury Optimizer Plan - Direct Plan | 100 | 3550764 | - | 79.72 | - |
| Kotak Low Duration Fund- Direct Plan - Growth Option | 1,000 | 265937 | - | 58.26 | - |
| **Aggregate Amount of Unquoted Investments** | | | | 3054.02 | 2313.78 |

## NOTE 4 : LOANS (Unsecured, considered good)

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Loans to employees | 14.09 | 3.68 | 1.90 | 3.98 |
| | 14.09 | 3.68 | 1.90 | 3.98 |

## NOTE 5 : OTHER FINANCIAL ASSETS

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Bank deposits with more than 12 months maturity | 1.31 | 0.01 | - | - |
| Others: | | | | |
| Security Deposits | 1.02 | 0.99 | - | - |
| Interest Accrued on Loans and Deposits | - | - | 3.02 | 4.09 |
| Salary and wage advance | - | - | 5.62 | 5.99 |
| Deposits - Rent | 11.65 | 13.13 | - | - |
| | 13.98 | 14.13 | 8.64 | 10.08 |

## NOTE 6 : OTHER ASSETS

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Capital Advances | 205.52 | 170.31 | - | - |
| Advances other than capital advances: | | | | |
| Security Deposits | 49.81 | 49.12 | - | - |
| Advances to Employees | - | - | 39.78 | 31.85 |
| | 255.33 | 219.43 | 39.78 | 31.85 |
| Others: | | | | |
| Advance payment of Income Tax / Tax Deducted at Source (after adjusting provision) | 85.79 | 65.33 | - | - |
| Balance with Statutory authorities | - | - | 11.13 | 62.78 |
| Advances recoverable in cash or kind | 1.19 | 19.96 | 118.04 | 116.26 |
| Prepaid Expenses | - | - | 3.94 | 21.46 |
| | 86.98 | 85.29 | 133.11 | 200.50 |
| | 342.31 | 304.72 | 172.89 | 232.35 |

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2018

### NOTE 7 : INVENTORIES

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Raw Materials | 867.95 | 925.29 |
| Raw Materials in transit | 82.20 | 88.15 |
| Work-in-progress | 210.14 | 221.86 |
| Finished goods | 670.53 | 857.49 |
| Stock-in-trade | 41.95 | 28.36 |
| Stores and spares | 299.30 | 271.77 |
| | 2172.07 | 2392.92 |

### NOTE 8 : TRADE RECEIVABLES

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Trade receivables | | |
| Secured, considered good | 1239.02 | 1155.16 |
| Unsecured, considered good | 896.90 | 804.79 |
| Unsecured, considered as Doubtful | 2.27 | 2.71 |
| Less: Impairment provision on Expected Credit Loss Model | (2.27) | (2.71) |
| | 2135.92 | 1959.95 |

Note: The Company has used a practical expedient for computing expected credit loss allowance for trade receivables, taking into account historical credit loss experience and accordingly, provisions are made for expected credit loss for amounts due from customers where necessary.

### NOTE 9 : CASH AND CASH EQUIVALENTS (as per Cash Flow Statement)

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Balances with Banks (of the nature of cash and cash equivalents) | 47.46 | 132.59 |
| Cheques, drafts on hand; and | 50.24 | 44.91 |
| Cash on hand | 1.09 | 0.85 |
| | 98.79 | 178.35 |

### NOTE 10 : BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Deposits with original maturity of more than 3 months,but less than 12 months | 38.13 | 93.58 |
| Others: | | |
| Unclaimed Dividend Account | 2.49 | 2.49 |
| | 40.62 | 96.07 |

## NOTE 11 : BORROWINGS

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| **NON-CURRENT** | | |
| Secured | | |
| Debentures: | | |
| 10.09% Secured Redeemable Non Convertible (5000 Debentures of ₹ 10,00,000/- each) | 500.00 | 500.00 |
| Unsecured | | |
| Term loans from Banks: | | |
| External Commercial Borrowings (ECB) | 804.82 | 701.30 |
| Fixed Deposits | - | 3.57 |
| Sales tax deferral scheme | 8.79 | 27.25 |
| Others | | |
| Deferred payment liabilities | 5.72 | 6.20 |
| | 1319.33 | 1238.32 |
| **CURRENT** | | |
| Secured | | |
| Loans repayable on demand: | | |
| from banks | 228.37 | 573.34 |
| | 228.37 | 573.34 |
| | 1547.70 | 1811.66 |

Note: Security and terms of repayment in respect of above borrowings are detailed in Note 27 (j)

## NOTE 12 : PROVISIONS

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Provision for employee benefits | 36.51 | 34.48 | 43.14 | 43.32 |
| Others: | | | | |
| Warranty and others | 116.23 | 102.78 | 99.69 | 77.56 |
| | 152.74 | 137.26 | 142.83 | 120.88 |

## NOTE 13 : DEFERRED TAX LIABILITIES - (NET)

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Deferred Tax Liabilities: | | |
| Arising on account of difference in carrying amount and tax base of PPE and Intangibles | 531.75 | 461.38 |
| Unrealised (gain)/loss on FVTPL debt Mutual Funds | 176.87 | 125.28 |
| Other adjustments | 7.74 | 14.59 |
| | 716.36 | 601.25 |
| Deferred Tax Asset: | | |
| Accrued Expenses allowable on Actual Payments | (30.91) | (47.05) |
| Net gain on remeasurements of defined benefit plans | (16.27) | (14.79) |
| Net gain on revaluation of designated cash flow hedges | (2.81) | (3.27) |
| Others | - | (0.47) |
| | (49.99) | (65.58) |
| MAT Credit | (47.36) | (34.50) |
| | 619.01 | 501.17 |

## NOTE 14 : OTHER LIABILITIES

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Revenue received in advance | - | - | 66.12 | 34.77 |
| Others: | | | | |
| Dealers' Security Deposit | - | - | 1323.52 | 1237.26 |
| Retention Money | 19.97 | 23.30 | - | - |
| Statutory Dues | - | - | 210.48 | 189.26 |
| Liabilities for expenses | - | - | 38.78 | 30.33 |
| Others | 38.11 | 4.44 | - | - |
| | 58.08 | 27.74 | 1638.90 | 1491.62 |

## NOTE 15 : TRADE PAYABLES

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Outstanding due of Micro and Small Enterprises (Refer Note 27(g) ) | 17.33 | 13.88 |
| Outstanding due of Creditors other than Micro and Small Enterprises | 1981.63 | 1663.20 |
| | 1998.96 | 1677.08 |
| Of the above: | | |
| Acceptances | 307.60 | 345.32 |
| Payable to Subsidiary Companies (Refer Note 27 (e)) | 474.89 | 287.92 |

## NOTE 16 : OTHER FINANCIAL LIABILITIES

₹ Crores

| | Current | |
|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 |
| Current maturities of long-term debt | 155.78 | 260.39 |
| Interest accrued | 66.47 | 68.51 |
| Unclaimed dividends | 2.49 | 2.49 |
| Unclaimed matured deposits and interest accrued thereon | - | 0.09 |
| Others: | | |
| Employee benefits | 162.00 | 135.09 |
| Liabilities for expenses | 129.34 | 71.71 |
| Derivatives(Net) | 6.38 | 4.52 |
| Others | 8.66 | 8.05 |
| | 531.12 | 550.85 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018

## NOTE 17 : REVENUE FROM OPERATIONS

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Sale Of Products | 15103.31 | 14651.24 |
| Sale Of Services | 30.91 | 32.42 |
| Other Operating Revenues: | | |
| Export Incentives | 28.08 | 20.67 |
| Subsidy from State Government | 17.54 | 6.41 |
| Scrap Sales | 45.11 | 38.46 |
| Miscellaneous | 2.12 | 0.20 |
| | 15227.07 | 14749.40 |

## NOTE 18 : OTHER INCOME

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Interest Income | 25.82 | 31.02 |
| Dividend Income | 0.32 | 0.22 |
| Net gain on sale of Investments classified as FVTPL | 4.70 | 0.01 |
| Net gains on fair value changes on financial assets classified as FVTPL | 226.49 | 277.31 |
| Other Non-Operating Income: | | |
| Miscellaneous Income | 25.15 | 20.05 |
| | 282.48 | 328.61 |

## NOTE 19 : COST OF MATERIALS CONSUMED

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| | | ₹ Crores |
| Opening Stock of Raw Materials | 1013.44 | 739.24 |
| Purchases during the year | 8883.64 | 7953.39 |
| Closing Stock of Raw Materials | (950.15) | (1013.44) |
| | 8946.93 | 7679.19 |

## NOTE 20 : CHANGES IN INVENTORIES OF FINISHED GOODS,STOCK-IN-TRADE AND WORK-IN-PROGRESS

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| | | ₹ Crores |
| Closing Stock: | | |
| Finished Goods | 670.53 | 857.49 |
| Stock-in-Trade | 41.95 | 28.36 |
| Work-in-Progress | 210.14 | 221.86 |
| | 922.62 | 1107.71 |
| Less: Opening Stock: | | |
| Finished Goods | 857.49 | 717.88 |
| Stock-in-Trade | 28.36 | 17.71 |
| Work-in-Progress | 221.86 | 148.20 |
| | 1107.71 | 883.79 |
| Differential Excise Duty on Opening and Closing stock of Finished Goods | (109.05) | 1.84 |
| | 76.04 | (222.08) |

## NOTE 21: EMPLOYEE BENEFITS EXPENSE

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| | | ₹ Crores |
| Salaries and Wages | 884.44 | 807.79 |
| Contribution to provident and other funds | 87.38 | 79.10 |
| Staff welfare expenses | 102.83 | 96.25 |
| | 1074.65 | 983.14 |

## NOTE 22: FINANCE COSTS

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| | | ₹ Crores |
| Interest on Loans and Deposits | 187.09 | 185.97 |
| Interest on Debentures | 50.45 | 50.45 |
| Interest on Deferred Payment Credit | 0.76 | 0.81 |
| Other Borrowing Costs: | | |
| Unwinding of discount relating to Long Term Liabilities | 6.13 | 6.73 |
| Bank Charges | 0.74 | 1.56 |
| | 245.17 | 245.52 |

## NOTE 23 : OTHER EXPENSES

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Stores and Spares Consumed | 312.30 | 301.51 |
| Power and Fuel | 637.65 | 580.32 |
| Processing Expenses | 190.83 | 180.53 |
| Rent | 63.71 | 55.50 |
| Rates and Taxes | 11.04 | 13.80 |
| Insurance | 19.02 | 16.46 |
| Printing and Stationery | 7.52 | 6.77 |
| Repairs and Renewals: | | |
| Buildings | 22.73 | 18.47 |
| Plant and Machinery | 114.34 | 89.33 |
| Other Assets | 51.49 | 44.78 |
| Travelling and Conveyance | 45.26 | 43.10 |
| Communication Expenses | 6.46 | 6.64 |
| Vehicle Expenses | 9.38 | 5.80 |
| Auditors' Remuneration: | | |
| As Auditors: | | |
| Audit fee | 0.47 | 0.41 |
| Tax Audit fee | 0.08 | 0.07 |
| Other Services | 0.11 | 0.31 |
| Reimbursement of Expenses | 0.05 | 0.17 |
| | 0.71 | 0.96 |
| Cost Auditors Remuneration: | | |
| Audit fee | 0.06 | 0.06 |
| Directors' Fees | 0.10 | 0.10 |
| Directors' Travelling Expenses | 5.49 | 4.21 |
| Advertisement | 259.79 | 256.82 |
| Warranty | 32.81 | 2.46 |
| Sales tax absorbed by the company | 0.49 | 0.10 |
| Bad debts written off | 0.15 | 0.08 |
| Commission | 2.51 | 3.10 |
| Freight and Forwarding (Net) | 466.77 | 424.99 |
| Loss on Sale of Fixed Asset | 1.03 | 3.50 |
| Net Loss on Foreign Currency Transactions | 24.81 | 16.86 |
| Bank Charges | 4.40 | 4.32 |
| Provision for Impairment of Financial Assets | - | 0.45 |
| Miscellaneous Expenses | 118.62 | 96.14 |
| | 2409.47 | 2177.16 |

## NOTE 24 :

### A. Capital Management

For the purpose of Company's Capital Management, capital includes Issued Equity Capital, Securities 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 Share Holder Value.

The Company manages its capital structure and makes adjustments in the light of changes in economic conditions and requirements of the financial covenants and to continue as a going concern. The Company monitors using a gearing ratio which is net debts divided by total capital plus net debt. The company includes within net debt, interest bearing loans and borrowings, less cash and short term deposit.

₹ Crores

| | 31.03.2018 | 31.03.2017 |
|---|---|---|
| Interest bearing Loans and Borrowings | 1686.63 | 2028.33 |
| Less: Cash and Short Term Deposits | (136.92) | (271.93) |
| Net Debt | 1549.71 | 1756.40 |
| Equity | 4.24 | 4.24 |
| Other Equity | 9599.96 | 8540.18 |
| **Total Capital** | 9604.20 | 8544.42 |
| Capital and Net Debt | 11153.91 | 10300.82 |
| Gearing Ratio % | 13.89% | 17.05% |

### B. Financial Risk Management

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the operations of the Company. The principal financial assets include trade and other receivables, investments in mutual funds and cash and short term deposits.

The Company has assessed market risk, credit risk and liquidity risk to its financial instruments.

**i) Market Risk**

Is the risk of loss of future earnings, fair values or cash flows that may result from a change in the price of a financial instrument, as a result of interest rates, foreign exchange rates and other price risks. Financial instruments affected by market risks, primarily include loans & borrowings, investments and foreign currency receivables, payables and borrowings.

**a) Interest Rate Risk :**

The Company borrows funds in Indian Rupees and Foreign currency, to meet both the long term and short term funding requirements.The Interest rate risk in terms of Foreign currency is managed through financial instruments available to convert floating rate liability into fixed rate liability. The

Company due to its AAA rated status commands one of the cheapest source of funding. Interest rate is fixed for the tenor of the Long term loans availed by the Company. Interest on Short Term borrowings is subject to floating interest rate and are repriced regularly. The sensitivity analysis detailed below have been determined based on the exposure to variable interest rates on the average outstanding amounts due to bankers over a year.

If the interest rates had been 1% higher / lower and all other variables held constant, the company's profit for the year ended 31st March, 2018 would have been decreased/increased by ₹ 2.24 crores.

**b) Currency Risk :**

The Company is not exposed to significant risk with regard to foreign currency borrowing and payables.

The foreign currency loans are designated as cash flow hedges and are fully covered for the tenor of the loan.

Foreign currency risks from financial instruments at the end of the reporting period expressed in INR :

Unhedged Short Term Exposures : ₹ Crores

| | | 31.03.2018 | 31.03.2017 |
|---|---|---|---|
| Financial Assets | USD | 165.08 | 153.29 |
| Financial Liabilites | USD | (63.57) | (107.90) |

The company is mainly exposed to changes in US Dollar. The sensitivity to a 0.25% to 1% increase or decrease in US Dollar against INR with all other variables held constant will be +/( - ) ₹ 0.22 Crores (previous year ₹ 0.37 Crores)

The Sensitivity analysis is prepared on the net unhedged exposure of the company at the reporting date.

**Hedged Foreign Currency exposures :**

Foreign Exchange forward Contracts on External Commercial borrowings / Buyers line of credit are measured at fair value through OCI on being designated as Cash Flow Hedges.

The Company also enters into foreign exchange forward contracts with the intention to minimise the foreign exchange risk of expected purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The outstanding position and exposures are as under :

i) Foreign Currency forward contracts designated as Hedge Instruments :

| | Currency | Amount | | ₹ Crores | Nature | Cross Currency |
|---|---|---|---|---|---|---|
| Currency/Interest Rate Swap | USD | 150.00 | Million | 948.49 | ECB Loan /Buyer's | INR |
| | | (151.50) | Million | (929.49) | Line of Credit | |

The terms of the foreign currency forward contracts match the terms of the transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The net unrealised gain of ₹ 1.37 Crores (Previous year Loss - ₹ 8.06 Crores), net of deferred tax liability of ₹ 0.46 Crores (Previous year asset - ₹ 2.79 Crores) is included in OCI.

ii) Other Forward Contract Outstanding :

| | Currency | Amount | | ₹ Crores | Nature | Cross Currency |
|---|---|---|---|---|---|---|
| Forward Contract | USD | 2.02 | Million | 12.90 | Buyer's Line of Credit | INR |
| | | (42.97) | Million | (285.32) | | |
| Forward Contract | USD | 172.08 | Million | 1133.73 | Import purchase | INR |
| | | (53.52) | Million | (358.35) | | |

Figures in brackets are in respect of Previous year

**c) Price Risk :**

The Company is affected by the price stability of certain commodities. Due to the significantly increased volatility of certain commodities like natural rubber, synthetic rubber and other chemicals, the Company enters into purchase contracts on a short to medium term and forward foreign exchange contracts are entered into to bring in stability of price fluctuations.

The Company's investments in quoted and unquoted securities are susceptible to market price risk arising from uncertainties about future values of investment securities. The company manages the securities price risk through investments in debt funds and diversification by placing limits on individual and total investments. Reports on Investment Portfolio are reviewed on regular basis and all approvals of investment decisions are done in concurrence with the senior management.

As at 31st March, 2018, the investments in debt mutual funds amounts to ₹ 4120.26 Crores. A 1% point increase or decrease in the NAV with all other variables held constant would have lead to approximately an additional ₹ 41 Crores on either side in the statement of profit and loss.

**ii) Credit Risk**

Is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. It arises from credit exposure to customers, financial instruments viz., Investments in Equity Shares, Debt Funds and Balances with Banks.

The Company's marketing policies are well structured and all replacement sales are predominantly through dealers and the outstanding are secured by dealer deposits. As regards sales to O.E., and other institutional sales, the Company carries out periodic credit checks and also limits the exposure by establishing maximum payment period for customers and by offering prompt payment discounts. The outstanding trade receivables due for a period exceeding 180 days as at the year ended 31st March, 2018 is 0.27 % (31st March, 2017 - 0.35%) of the total trade receivables.

The company uses Expected Credit Loss (ECL) Model to assess the impairment loss or gain. The allowance for lifetime ECL on customer balances for the year ended 31st March, 2018 was ₹ 2.27 Crores and for the year ended 31st March, 2017 was ₹ 2.71 Crores.

₹ Crores

| | Year ended 31st March 2018 | Year ended 31st March 2017 |
|---|---|---|
| Balance at the beginning | 2.71 | 2.27 |
| Impairment loss recognised | - | 0.44 |
| Impairment loss reversed | (0.44) | - |
| **Balance at the end** | 2.27 | 2.71 |

The Company holds cash and deposits with banks which are having highest safety rankings and hence has a low credit risk.

Investments in mutual funds are primarily debt funds, which have high safety ratings and are monitored on a monthly basis and the Company is of the opinion that its mutual fund investments have low credit risk.

**iii) Liquidity Risk**

The Company manages liquidity risk by maintaining adequate surplus, banking facilities and reserve borrowings facilities by continuously monitoring forecasts and actual cash flows.

The Company has a system of forecasting rolling three months cash inflow and outflow and all liquidity requirements are planned.

All Long term borrowings are for a fixed tenor and generally these cannot be foreclosed.

The Company has access to various source of Short term funding and debt maturing within 12 months can be rolled over with existing lenders/new lenders, or repaid based on short term requirements.

Trade and other payables are plugged into the three months rolling cash flow forecast to ensure timely funding, if required.

All payments are made along due dates and requests for early payments are entertained after due approval and availing early payment discounts.

The details of the contractual maturities of significant financial liabilities as at 31st March, 2018 are as under:

₹ Crores

| | **Refer Note** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| Borrowings (Long Term) | Note 11 & 16 | 155.78 | 757.01 | 559.23 | 3.09 |
| | | (260.39) | (620.93) | (613.53) | (3.86) |
| Trade Payable | Note 15 | 1998.96 | - | - | - |
| | | (1677.08) | (-) | (-) | (-) |
| Other Financial Liabilities | Note 16 | 210.85 | - | - | - |
| | | (152.88) | (-) | (-) | (-) |
| Employee Benefit liabilities | Note 16 | 162.00 | - | - | - |
| | | (135.09) | (-) | (-) | (-) |
| Unclaimed dividends | Note 16 | 2.49 | - | - | - |
| | | (2.49) | (-) | (-) | (-) |

Figures in brackets are in respect of Previous year.

## NOTE 25: Fair Values and Hierarchy

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:

₹ Crores

| Particulars | Hierarchy | Carrying Value | | Fair Value | |
|---|---|---|---|---|---|
| | | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Financial Assets | | | | | |
| - Investments | Level One | 3898.23 | 3095.32 | 4124.72 | 3372.63 |
| Financial Liabilities | | | | | |
| - Borrowings | Level Two | 1476.48 | 1490.65 | 1475.11 | 1498.71 |

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Fair Value of financial assets and liabilities included is the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair value.

1. The Fair values of Mutual Funds and Quoted Equities are based on NAV / Quoted Price at the reporting date. Further, the Company had invested in Co-operative Societies and in certain other companies towards the corpus. These are non participative shares and normally no dividend is accrued. The Company has carried these investments at it transaction value considering it to be its fair value.
2. The Company enters into Derivative financial instruments with counterparties principally with Banks with investment grade credit ratings. The Interest Rate swaps, foreign exchange forward contracts are valued using valuation techniques which employs the use of market observable inputs namely, Marked-to-Market.

## NOTE 26 : Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate

₹ Crores

| Particulars | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Accounting Profit before Income Tax | 1601.91 | 2066.37 |
| At statutory income tax rate of 34.608% (31st March, 2017: 34.608%) | 554.39 | 715.13 |
| Additional deduction on Research and Development expense | (63.80) | (102.93) |
| Effect of non-deductible expenses | 19.04 | 3.09 |
| | 509.63 | 615.29 |

## NOTE 27 : ADDITIONAL/EXPLANATORY INFORMATION

a. The Company has opted for historical cost of Property, Plant and Equipment / intangible assets as per Indian GAAP as the deemed cost on the opening balance sheet date. The carrying amount of those assets as per para 30 of IND AS 101 are as under:

₹ Crores

| Sl. No. | Class of Property, Plant and Equipment | As at Transition Date 01.10.2014 | Deletion Upto 31.03.2018 | Accumulated Depreciation as at 31.03.2018 | As at 31.03.2018 |
|---|---|---|---|---|---|
| 1 | Land – Freehold | 345.56 | 1.09 | - | 344.47 |
| 2 | Land – Leasehold | 2.69 | - | 0.33 | 2.36 |
| 3 | Buildings | 815.41 | 11.57 | 86.01 | 717.83 |
| 4 | Plant and Equipment | 1982.97 | 96.08 | 879.25 | 1007.64 |
| 5 | Furniture and Fixtures | 6.40 | 1.48 | 4.15 | 0.77 |
| 6 | Vehicles | 13.80 | 6.99 | 4.02 | 2.79 |
| 7 | Office Equipments | 8.91 | 2.43 | 5.42 | 1.06 |
| 8 | Computers | 13.12 | 6.92 | 5.35 | 0.85 |
| 9 | Moulds | 139.73 | 42.99 | 66.71 | 30.03 |
| 10 | Other Assets | 93.05 | 19.40 | 38.96 | 34.69 |
| 11 | Computer Software | 7.04 | 0.02 | 6.25 | 0.77 |
| | | 3428.68 | 188.97 | 1096.45 | 2143.26 |

b. Disclosure required by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and section 186(4) of the Companies Act,2013 :

1. Amount of Loans and advances in the nature of loans outstanding from subsidiaries - ₹ Nil (Previous year - ₹ Nil)
2. Loans to employees have been considered to be outside the purview of disclosure requirements.
3. Investment by Loanee in the shares of the Parent company- Nil (Previous year - Nil)

c. The Company's leasing arrangements are in respect of operating leases for premises (residential, office and godowns). The leasing arrangements, which are not non-cancellable, range between eleven months and three years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent.

Lease rentals charged during the year

₹ Crores

| | Refer Note | 31.03.2018 | 31.03.2017 |
|---|---|---|---|
| Lease rent expense | 23 | 63.71 | 55.50 |

Future minimum lease payable

₹ Crores

| Future minimum lease payable | 31.03.2018 | 31.03.2017 |
|---|---|---|
| Not later than 1 year | 43.83 | 37.49 |
| Later than 1 year and not later than 5 years | 133.72 | 118.86 |
| Later than 5 years | 84.44 | 75.66 |

d. Movement in provisions as required by IND AS - 37 - "Provisions, Contingent Liabilities and Contingent Asset".

₹ Crores

| | | As at 31.03.2017 | Provided during the year | Used during the year | Reversed during the year | Unwinding discounts | As at 31.03.2018 |
|---|---|---|---|---|---|---|---|
| (i) | Warranty | 114.64 | 198.05 | 162.88 | - | 0.89 | 148.92 |
| | | (109.04) | (169.53) | (166.29) | (-) | (2.36) | (114.64) |
| (ii) | Litigation and related disputes | 65.70 | 1.60 | 0.06 | 0.24 | - | 67.00 |
| | | (64.81) | (4.23) | (2.82) | (0.52) | (-) | (65.70) |

Notes :

(i) Cash outflow towards warranty provision would generally occur during the next two years. Such claims are netted off from sales.

(ii) Litigation and related disputes represents estimates mainly for probable claims arising out of litigation/disputes pending with authorities under various statutes (i.e. Service Tax, Excise and Customs Duty, Electricity/Fuel Surcharge, Cess). The probability and the timing of the outflow with regard to these matters will depend on the final outcome of the litigations/disputes.

(iii) Figures in brackets are in respect of Previous year.

**e.** Related party disclosures:

(a) Names of related parties and nature of relationship where control exists are as under:

| | | |
|---|---|---|
| Subsidiary Companies: | i) | MRF Corp Ltd |
| | ii) | MRF International Ltd |
| | iii) | MRF Lanka (Private) Ltd. |
| | iv) | MRF SG Pte Ltd |

(b) Names of other related parties and nature of relationship:

| | | |
|---|---|---|
| Key Management Personnel: | i) | Mr. K.M. Mammen, Chairman and Managing Director |
| | ii) | Mr. Arun Mammen, Vice Chairman and Managing Director (w.e.f. 04th May, 2017) Managing Director (Upto 03rd May, 2017) |
| | iii) | Mr. Rahul Mammen Mappillai, Managing Director (w.e.f. 04th May, 2017) Whole time Director (Upto 03rd May, 2017) |
| | iv) | Mr. Samir Thariyan Mappillai, Whole time Director (w.e.f. 04th August, 2017) |
| | v) | Mr. Varun Mammen ,Whole time Director (w.e.f. 04th August, 2017) |
| | vi) | Mr.Ravi Mannath, Company Secretary |
| | vii) | Mr. Madhu P Nainan, Vice President Finance |
| Relatives of Key Management Personnel: | i) | Mrs. Ambika Mammen,Director (Wife of Chairman and Managing Director) |
| | ii) | Dr.(Mrs) Cibi Mammen,Director (Wife of Vice Chairman and Managing Director) |
| | iii) | Mr. Samir Thariyan Mappillai (Son of Chairman and Managing Director) |
| | iv) | Mrs.Meera Mammen (Mother of Mr Varun Mammen) |
| Companies in which Directors are interested: | | Badra Estate & Industries Limited, Devon Machines Pvt Ltd, Coastal Rubber Equipments Pvt Ltd Comprehensive Investments & Finance Co.Pvt Ltd, Kirloskar Electric co Ltd, Braga Industries LLP, Funskool (India) Ltd, Pandalur Plantations Pvt Ltd, Gokul Rubber & Tea Plantations Ltd, VPC Freight Forwarders Pvt Ltd., Madras Christian College, MM Rubber Company Ltd, Chennai International Centre. |
| Other Related Parties: | | Mr. Jacob Kurian- Director, MRF Ltd Executives Provident Fund Trust, MRF Management Staff Gratuity Scheme, MRF Employees Gratuity Scheme, MRF Managers' Superannuation Scheme. |

(c) Transactions with related parties (excluding reimbursements)

**Nature of Transactions** ₹ Crores

| i) Subsidiary Companies; | MRF Lanka (Private) Ltd. Year Ended 31.03.2018 | MRF Lanka (Private) Ltd. Year Ended 31.03.2017 | MRF Corp Limited Year Ended 31.03.2018 | MRF Corp Limited Year Ended 31.03.2017 | MRF SG Pte Ltd. Year Ended 31.03.2018 | MRF SG Pte Ltd. Year Ended 31.03.2017 |
|---|---|---|---|---|---|---|
| Purchase of Materials | - | - | 3.09 | 2.87 | 1316.30 | 950.46 |
| Sale of Finished Goods | 0.63 | 1.11 | - | - | - | - |
| Dividend Received | 0.18 | 0.11 | 0.10 | 0.10 | - | - |
| Lease Rent received | - | - | 0.14 | 0.13 | - | - |
| Outstanding: | | | | | | |
| Investments | 15.01 | 15.01 | - | - | 6.11 | 6.11 |
| Other Receivables | 0.03 | - | - | 0.75 | - | - |
| Trade Payable | - | - | 0.31 | 0.18 | 474.58 | 287.74 |
| Other Payable | - | - | 0.10 | - | - | - |

ii) Compensation of Key Management Personnel: ₹ Crores

| | Sitting Fees Year Ended 31.03.2018 | Sitting Fees Year Ended 31.03.2017 | Remuneration* Year Ended 31.03.2018 | Remuneration* Year Ended 31.03.2017 | Commission Payable As at 31.03.2018 | Commission Payable As at 31.03.2017 |
|---|---|---|---|---|---|---|
| Short Term Employee Benefit (including Commssion) | - | - | 72.67 | 55.48 | - | - |
| Commission Payable | - | - | - | - | 30.64 | 23.17 |
| iii) Compensation to Relatives of Key Management Personnel: | 0.02 | 0.02 | 1.54 | 0.62 | - | - |

* Remuneration does not include provisions made for Gratuity and Leave benefits as they are determined on an actuarial basis for the Company as a whole.

iv) Companies in which Directors are interested:

| | |
|---|---|
| Purchase of Raw Materials/ Components/Machinery | Coastal Rubber Equipments Pvt Ltd - ₹ 62.45 Crores (Previous Year - ₹ 56.19 Crores), Devon Machines Pvt Ltd - ₹ 16.88 Crores (Previous Year - ₹ 20.82 Crores), Braga Industries LLP - ₹ 83.05 Crores (Previous Year - ₹ 84.76 Crores), and Others - ₹ Nil (Previous Year - ₹ 0.01 Crores) |
| Selling & Distribution Expenses | Funskool (India) Ltd - ₹ 1.40 Crores. (Previous Year - ₹ 1.05 Crores) |
| Payment towards Services | VPC Freight Forwarders Pvt Ltd - ₹ 3.32 Crores (Previous Year - ₹ 5.94 Crores), Coastal Rubber Equipments Pvt Ltd - ₹ 1.69 Crores (Previous Year - ₹ 1.39 Crores), Braga Industries LLP - ₹ 0.64 Crores (Previous Year - ₹ 0.60 Crores), Madras Christian College - ₹ 0.08 Crores (Previous Year - ₹ 0.13 Crores), M M Rubber Company Ltd - ₹ 0.05 Crores (Previous Year - ₹ Nil), Chennai International Centre - ₹ 0.03 Crores (Previous Year - ₹ 0.02 Crores), Kirloskar Electric Company Limited - ₹ 0.10 Crores (Previous Year - ₹ 0.02 Crores). |
| Lease Rent Received | Funskool (India) Ltd - ₹ 1.18 Crores (Previous Year- ₹ 1.14 Crores). |
| Sale of Materials | Funskool (India) Ltd - ₹ 0.01 Crores (Previous Year- ₹ 0.03 Crores). |
| <u>Balance Outstanding:</u> | |
| Payable | Devon Machines Pvt Ltd - ₹ 0.22 Crores (Previous Year - Nil), Coastal Rubber Equipment Pvt Ltd - ₹ 1.07 Crores (Previous Year - Nil), Braga Industries LLP - ₹ 11.04 Crores (Previous Year - ₹ 11.76 Crores). |
| Receivable | Funskool (India) Ltd - ₹ 0.26 Crores (Previous Year-₹ 0.14 Crores). |

v) Other Related Parties:

| | |
|---|---|
| Professional Charges | Mr.Jacob Kurien - ₹ 0.14 Crores (Previous Year - ₹ 0.16 Crores). |
| Contributions | MRF Ltd Executives Provident Fund Trust - ₹ 9.95 Crores(Previous Year-₹ 8.47 Crores), MRF Management Staff Gratuity Scheme - ₹ 9.20 Crores (Previous Year - ₹ 5.23 Crores), MRF Employees Gratuity Scheme - ₹ 15.80 Crores (Previous Year - ₹ 0.77 Crores), MRF Managers' Superannuation Scheme - ₹ 13.97 Crores (Previous Year - ₹ 11.89 Crores). |
| <u>Balance Outstanding:</u> | |
| Contributions Payable | MRF Ltd Executives Provident Fund Trust - ₹ 0.87 Crores (Previous Year - ₹ 0.74 Crores), MRF Management Staff Gratuity Scheme - ₹ 17.64 Crores (Previous Year - ₹ 17.76 Crores), MRF Employees Gratuity Scheme - ₹ 18.73 Crores (Previous Year - ₹ 19.59 Crores). |

d) Terms and conditions of transactions with related parties:

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (Previous Year - Nil). This assessment is undertaken in each financial year through examining the financial position of the related party and the market in which the related party operates.

f. Disclosures under IND AS 108 - "Operating Segment" :

The Company is engaged interalia in the manufacture of Rubber Products such as Tyres, Tubes, Flaps, Tread Rubber and Conveyor Belt. These in the context of IND AS - 108 - 'Operating Segment' are considered to constitute one single primary segment. The Company's operations outside India do not exceed the quantitative threshold for disclosure envisaged in the IND AS. Non-reportable segments has not been disclosed as unallocated reconciling item in view of its materiality. In view of the above, operating segment disclosures for business/geographical segment are not applicable to the Company.

Entity wide disclosure required by IND AS 108 are as detailed below:

₹ Crores

| | Year ended 31.03.2018 | Year ended 31.03.2017 |
|---|---|---|
| (i) Products: | | |
| Automobile Tyres | 13484.72 | 13019.27 |
| Automobile Tubes | 1153.71 | 1167.01 |
| Others | 464.88 | 464.96 |
| | 15103.31 | 14651.24 |
| (ii) Revenue from Customers: | | |
| India | 13750.24 | 13334.90 |
| Outside India | 1353.07 | 1316.34 |
| | 15103.31 | 14651.24 |
| (iii) Non-Current Assets : | | |
| India | 8616.88 | 7737.61 |
| Outside India | 0.07 | 0.03 |

(iv) There are no transactions with single customer which amounts to 10% or more of the Company's revenue.

g. Disclosures under The Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED'):

The details of liabilities to Micro and Small Enterprises, to the extent information available with the Company are given under:

₹ Crores

| | 31.03.2018 | 31 .03.2017 |
|---|---|---|
| (i) Principal amounts remaining unpaid to suppliers as at the end of the accounting year | 17.33 | 13.88 |
| (ii) Interest accrued and due to suppliers on above amount, unpaid | 0.05 | 0.08 |
| (iii) The amount of interest paid by the buyer in terms of Section16 of the MSMED Act,2006,along with the amounts of the payment made to the Supplier beyond the appointed day during the accounting year | 0.19 | - |
| (iv) The amount of interest due and payable for the period of delay in making payment(which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act,2006 | 0.01 | 0.02 |
| (v) The amount of interest accrued and remaining unpaid at the end of the accounting year | 0.06 | 0.10 |
| (vi) The amount of further interest remaining due and payable even in succeeding years, until such date when the interest dues are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of MSMED Act,2006 | 0.69 | 0.82 |

h. Disclosures as per IND AS - 19 - Employee Benefits

1) The contributions to MRF Limited Executives Provident Fund Trust is a defined benefit plan in terms of the definition mentioned in para 7 of IND AS -19 the accounting for which is to be done on an actuarial basis. The actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as at 31st March, 2018 and for the year ended 31st March 2017.

The assumptions used in determining the present value of obligation of the interest rate guarantee under deterministic approach are:

Projection is restricted to five years or earlier, if retirement occurs.

Expected guaranteed interest rate - 8.55%( Previous Year -8.65%)

Discount rate - 8.58% (Previous Year - 7.81%)

2) During the year, the company has recognised the following amounts in the Statement of Profit and Loss:

₹ Crores

| | Particulars | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|---|
| i) | Employer's contribution to Provident Fund and Family Pension Fund | 47.34 | 42.99 |
| ii) | Employer's contribution to Superannuation Fund | 13.65 | 11.67 |
| iii) | Leave Encashment - Unfunded | 9.33 | 11.21 |
| iv) | Defined benefit obligation: | | |
| | a) Post Retirement Medical Benefit - Unfunded | (0.10) | 0.20 |

b) The valuation results for the defined benefit gratuity plan as at 31-3-2018 are produced in the tables below:

i) Changes in the Present Value of Obligation

₹ Crores

| Particulars | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Present Value of Obligation as at the beginning | 268.85 | 224.04 |
| Current Service Cost | 16.84 | 19.56 |
| Interest Expense or Cost | 20.42 | 17.91 |
| Re-measurement (or Actuarial) (gain) / loss arising from: | | |
| - change in financial assumptions | (5.64) | 10.02 |
| - experience variance (i.e. Actual experience vs assumptions) | 10.86 | 7.68 |
| Past Service Cost | 0.06 | - |
| Benefits Paid | (14.58) | (10.36) |
| Present Value of Obligation as at the end | 296.81 | 268.85 |

ii) Changes in the Fair Value of Plan Assets

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Fair Value of Plan Assets as at the beginning | 231.50 | 217.78 |
| Investment Income | 17.58 | 18.08 |
| Employer's Contribution | 25.00 | 6.00 |
| Benefits Paid | (14.58) | (10.36) |
| Return on plan assets , excluding amount recognised in net interest expense | 0.94 | - |
| Fair Value of Plan Assets as at the end | 260.44 | 231.50 |

iii) Expenses Recognised in the Income Statement

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Current Service Cost | 16.84 | 19.56 |
| Past Service Cost | 0.06 | - |
| Net Interest Cost / (Income) on the Net Defined Benefit Liability / (Asset) | 2.84 | (0.17) |
| Payable/(Recoverable) from a subsidiary company | 0.10 | (0.75) |
| Expenses Recognised in the Income Statement | 19.84 | 18.64 |

iv) Other Comprehensive Income

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Actuarial (gains) / losses | | |
| - change in financial assumptions | (5.64) | 10.02 |
| - experience variance (i.e. Actual experience vs assumptions) | 10.86 | 7.68 |
| Return on plan assets, excluding amount recognised in net interest expense | (0.94) | - |
| Components of defined benefit costs recognised in other comprehensive income | 4.28 | 17.70 |

v) Major categories of Plan Assets (as percentage of Total Plan Assets)

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Funds managed by Insurer | 100% | 100% |

- In the absence of detailed information regarding Plan assets which is funded with Insurance Company, the composition of each major category of Plan assets, the percentage or amount for each category to the fair value of Plan assets has not been disclosed.
- The group gratuity Policy with LIC includes employees of MRF Corp Ltd, a Subsidiary Company

vi) Actuarial Assumptions

a. Financial Assumptions

The principal financial assumptions used in the valuation are shown in the table below:

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Discount rate (per annum) | 7.80% | 7.60% |
| Salary growth rate (per annum) | 5.50% | 5.50% |

b. Demographic Assumptions

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Mortality Rate (% of IALM 06-08) | 100% | 100% |
| Withdrawal rates, based on age: (per annum) | | |
| Up to 30 years | 3.00% | 3.00% |
| 31 - 44 years | 2.00% | 2.00% |
| Above 44 years | 1.00% | 1.00% |

vii) Amount, Timing and Uncertainty of Future Cash Flows

a. Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes 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:

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Defined Benefit Obligation (Base) | 296.81 | 268.85 |

| | 31.03.2018 | | 31.03.2017 | |
|---|---|---|---|---|
| | Decrease | Increase | Decrease | Increase |
| Discount Rate (- / + 1%) | 326.98 | 270.91 | 296.96 | 244.82 |
| (% change compared to base due to sensitivity) | 10.20% | -8.70% | 10.50% | -8.90% |
| Salary Growth Rate (- / + 1%) | 270.15 | 327.37 | 244.20 | 296.70 |
| (% change compared to base due to sensitivity) | -9.00% | 10.30% | -9.20% | 10.40% |
| Attrition Rate (- / + 50%) | 294.34 | 299.02 | 266.77 | 270.74 |
| (% change compared to base due to sensitivity) | -0.80% | 0.70% | -0.80% | -0.70% |
| Mortality Rate (- / + 10%) | 296.18 | 297.41 | 268.31 | 269.40 |
| (% change compared to base due to sensitivity) | -0.20% | 0.20% | -0.20% | 0.20% |

b. Asset Liability Matching Strategies

The scheme is managed on funded basis.

c. Effect of Plan on Entity's Future Cash Flows

- Funding arrangements and Funding Policy

  The scheme is managed on funded basis.

| | | ₹ Crores |
|---|---|---|
| - Expected Contribution during the next annual reporting period | 31.03.2018 | 31.03.2017 |
| The Company's best estimate of Contribution during the next year | 34.69 | 21.52 |
| - Maturity Profile of Defined Benefit Obligation | | |
| Weighted average duration (based on discounted cash flows) | 10 years | 10 years |

- Expected cash flows over the next (valued on undiscounted basis):

| | | ₹ Crores |
|---|---|---|
| | 31.03.2018 | 31.03.2017 |
| 1 year | 35.35 | 29.81 |
| 2 to 5 years | 81.08 | 74.88 |
| 6 to 10 years | 145.85 | 123.50 |
| More than 10 years | 494.66 | 454.28 |

v) Other Long Term Employee Benefits:

| | | ₹ Crores |
|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 |
| Present value of obligation as at 31st March, 2018 | | |
| Leave Encashment | 36.68 | 33.79 |
| Post Retirement Medical Benefits | 5.22 | 5.28 |

i. (i) Revenue expenditure on Research and Development activities during the year ended 31st March 2018:

| | | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|---|
| | | | ₹ Crores |
| 1) | Salaries, Wages and Other Benefits | 24.73 | 21.26 |
| 2) | Repairs and Maintenance | 3.54 | 2.60 |
| 3) | Power | 2.38 | 1.66 |
| 4) | Travelling and Vehicle Running | 4.64 | 3.73 |
| 5) | Cost of Materials/Tyres used for Rallies / Test Purpose | 3.10 | 3.11 |
| 6) | Other R & D Expenses | 9.71 | 8.40 |
| | | 48.10 | 40.76 |

(ii) Capital Expenditure on research and development ( excluding Building) during the year, as certified by the management is ₹ 98.86 Crores (Previous year - ₹ 97.72 Crores).

This information complies with the terms of the R & D recognition granted upto 31st March, 2018 for the Company's in-house Research and Development activities by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India, vide their Letter No.TU/IV-RD/118/2014 dated 15th March, 2018.

j. Terms of Repayment and Security Description of Borrowings:

**a) Current Borrowings**

Loans repayable on demand from banks are secured by hypothecation of Inventories and book debts ,equivalent to the outstanding amount and carries interest rates at the rate of 7.85% to 9.75% (Previous year - 8.25% to 9.75 %)

Rupee Export Packing Credit is repayable within a year and carries interest rates at the rate of 5.77% to 7.95% (Previous year - Nil)

Buyer's Line of Credit from banks are secured by hypothecation of Inventories and book debts, equivalent to the outstanding amount and are repayable within a year and carries interest at the rate of LIBOR plus 4bps to LIBOR plus 60bps (Previous year LIBOR plus 15bps and LIBOR plus 25bps)

**b) Non-Current Borrowings**

i) ECB from The Bank of Tokyo - Mitsubishi UFJ, Ltd. availed in December, 2011-USD 40 Million is secured by a first charge on Plant and Machinery situated at Puduchery Unit. Equivalent to the outstanding amount and interest is payable at a rate equal to the 6 months BBA LIBOR plus margin of 1.55%( Previous year - 6 months BBA LIBOR plus margin of 1.55%) payable half-yearly. The said loan is fully hedged and is repayable in three equal annual instalments at the end of the fourth, fifth and sixth year beginning October, 2015.This loan got fully repaid in the financial year 2017-18.

ii) The principal amount of Debentures, interest, remuneration to Debenture Trustees and all other costs, charges and expenses payable by the company in respect of Debentures are secured by way of a legal mortgage of Company's land at Taluka Kadi, District Mehsana, Gujarat and hypothecation by way of a first charge on Plant and Machinery at the Company's plants at Perambalur, near Trichy, Tamil Nadu, equivalent to the outstanding amount.

The NCD's are to be redeemed at par in three instalments as stated below:

| Debenture Series | 10.09% NCD's (Previous Period 10.09%) ₹ Crores | Dates of Redemption |
|---|---|---|
| Series I | 160.00 | 27/05/2019 |
| Series II | 160.00 | 27/05/2020 |
| Series III | 180.00 | 27/05/2021 |
| | 500.00 | |

iii) ECB(Unsecured) from the Bank of Tokyo- Mitsubishi UFJ, Ltd:

a) USD 15 Million availed in October, 2013 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.50%(Previous year- six months USD LIBOR plus margin of 1.50%) payable half-yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning October, 2017.

b) USD 20 Million availed in May, 2015 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.00%(Previous year-six months USD LIBOR plus margin of 1.00%) payable half-yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning May,2019.

iv) ECB(Unsecured) from the Mizuho Bank, Ltd:

a) USD 15 Million availed in January, 2014 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.50%(Previous year- six months USD LIBOR plus margin of 1.50%) payable half-yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning January, 2018.

b) USD 25 Million availed in February, 2015 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.00%(Previous year- six months USD LIBOR plus margin of 1.00%) payable half-yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning February, 2019.

v) ECB(Unsecured) from the CITI Bank availed in January,2015 amounting to USD 20 Million is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 1.30% (Previous year- six months BBA LIBOR plus margin of 1.30%) payable half-yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning January, 2019.

vi) ECB(Unsecured) from the HSBC Bank:

a) USD 20 Million availed in October, 2015 is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 1.25% (Previous year- six months BBA LIBOR plus margin of 1.25%) payable half-yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning October,2019.

b) USD 45 Million availed in December, 2017 is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 0.80% payable half-yearly (Previous year- Not applicable). The said Loan is fully hedged and is repayable in one full instalment in December, 2022.

vii) Buyers Line of Credit (Unsecured) of USD 24.82 Million availed from CITI Bank for Capital Expenditure is repayable after 2 years and 364 days beginning in March, 2017 at varied interest rates as applicable on different drawdown dates. The said Loan is fully hedged. This loan got fully repaid in the financial year 2017-18.

viii) Interest free Unsecured Loan availed under Sales tax Deferral Scheme is repayable yearly and to end on 1st April, 2019.

ix) Deferred payment credit is repayable along with interest (at varying rates) in 240 consecutive monthly instalments ending in March, 2026.

x) Fixed Deposits are Unsecured and are repayable as per the terms with interest rate of 9.50%. (Previous year - 8.50% to 9.50%)

k. Events Occuring after the Balance Sheet date

The proposed final dividend for Financial Year 2017-18 amounting to ₹ 22.90 Crores will be recognised as distribution to owners during the financial year 2018-19 on its approval by Shareholders. The proposed final dividend per share amounts to ₹ 54/-

l. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - ₹ 942.70 Crores (Previous Year - ₹ 1086.57 Crores).

m. Other Notes :

₹ Crores

| | Year ended 31.03.2018 % of total Consumption | Year ended 31.03.2018 Value | Year ended 31.03.2017 % of total Consumption | Year ended 31.03.2017 Value |
|---|---|---|---|---|
| 1) Value of imported/indigenous raw material/stores and spares consumed : | | | | |
| Raw Materials | | | | |
| Imported at landed cost | 34.62 | 3097.74 | 41.08 | 3154.23 |
| Indigenous | 65.38 | 5849.19 | 58.92 | 4524.96 |
| | 100.00 | 8946.93 | 100.00 | 7679.19 |
| Stores and Spares | | | | |
| Imported at landed cost | 10.11 | 31.57 | 9.71 | 29.27 |
| Indigenous | 89.89 | 280.73 | 90.29 | 272.24 |
| | 100.00 | 312.30 | 100.00 | 301.51 |

₹ Crores

| | Year ended 31.03.2018 | Year ended 31.03.2017 |
|---|---|---|
| 2) Details of Purchase of Traded Goods under broad heads; | | |
| T and S Equipments | 34.15 | 32.61 |
| Sports Goods | 8.91 | 6.76 |
| Others | 1.83 | 3.01 |
| | 44.89 | 42.38 |
| 3) CIF Value of Imports: | | |
| a. Raw Materials | 2838.54 | 2710.64 |
| b. Components and Spare Parts | 58.29 | 63.60 |
| c. Capital Goods | 514.81 | 246.16 |
| 4) Earnings in Foreign Exchange: | | |
| FOB Value of Exports | 1145.82 | 1151.31 |
| Freight and Insurance | 10.65 | 11.66 |
| Dividend | 0.18 | 0.11 |
| Others | 3.06 | 4.07 |
| Note: FOB Value of Exports excludes export sales in Indian Rupee | | |
| 5) Expenditure in Foreign Currency paid or payable by the Company: | | |
| a. Interest and Finance Charges | 5.68 | 2.75 |
| b. Professional and Consultation Fees | 6.62 | 7.09 |
| c. Travelling | 2.94 | 4.24 |
| d. Advertisements | 53.24 | 51.93 |
| e. Traded goods | - | 6.57 |
| f. Insurance | 2.95 | 2.80 |
| g. Product warranty claims | 2.34 | 2.38 |
| h. Others | 12.32 | 7.11 |

n. Corporate Social Responsibility:

As per Section 135 of the Companies Act,2013, a Company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceeding three financial years on corporate social responsibility( CSR) Activities. A CSR Committee has been formed by the Company as per the Act. The funds were primarily allocated to the activities which are specified in Schedule VII of the Companies Act, 2013.

a) Gross amount required to be spent by the company during the year is ₹ 43.04 Crores (Previous Year - ₹ 39.24 Crores).

b) Amount spent during the year on:

₹ Crores

| | Particulars | In cash | yet to be paid in cash | Total |
|---|---|---|---|---|
| 1 | Construction/acquisition of any asset | - | - | - |
| | | (-) | (-) | (-) |
| 2 | On purposes other than (1) above | 9.47 | 0.02 | 9.49 |
| | | (7.70) | (0.03) | (7.73) |

Previous year figures are in brackets

o. Contingent Liabilities not provided for:

(i) Guarantees given by the Banks - ₹ 37.56 Crores (Previous Year - ₹ 35.49 Crores)

(ii) Letters of Credit issued by the Banks - ₹ 97.69 Crores (Previous Year - ₹ 153.92 Crores)

(iii) Claims not acknowledged as debts:

(a) Disputed Sales Tax demands pending before the Appellate Authorities - ₹ 48.39 Crores ( Previous Year- ₹ 38.61 Crores).

(b) Disputed Excise/Customs Duty demands pending before the Appellate Authorities/High Court - ₹ 98.23 Crores (Previous Year - ₹ 86.42 Crores).

(c) Disputed Income Tax Demands - ₹ 127.60 Crores (Previous Year - ₹ 79.01 Crores) Against the said demand the company has deposited an amount of ₹ 31.96 Crores.

(d) Contested EPF Demands pending before Appellate Tribunal- ₹ 1.10 Crores ( Previous year - ₹ 1.10 Crores).

p. The amount due and paid during the year to "Investor Education and Protection Fund" is ₹ 0.54 Crores (Previous year - ₹ 0.05 Crores).

q. Earnings Per Share

| Particulars | | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|---|
| Profit after taxation | ₹ Crores | 1092.28 | 1451.08 |
| Number of equity shares (Face Value ₹ 10/-) | Nos. | 4241143 | 4241143 |
| Earnings per share | ₹ | 2575.43 | 3421.43 |

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180
Chennai, Dated 3rd May, 2018

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

# CONSOLIDATED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MRF LIMITED

### 1. REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 We have audited the accompanying consolidated financial statements of MRF Limited ("the Holding Company") and its subsidiaries (collectively referred to as "the Company" or "the Group"), which comprises the consolidated balance sheet as at 31 March 2018, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

### 2. MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS.

2.1 The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (IND AS) prescribed under Section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended.

2.2 The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### 3. AUDITOR'S RESPONSIBILITY

3.1 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

3.2 We conducted our audit of the Consolidated Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

3.3 An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

3.4 We believe that the audit evidence obtained by us and the audit evidence obtained by other auditors in terms of their reports referred to in paragraph 5 of the other matters referred below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### 4. OPINION

4.1 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the IND AS and other accounting principles generally accepted in India of the consolidated financial position of the Group, as at 31 March 2018 and its consolidated financial performance including other comprehensive income, the consolidated changes in equity and its consolidated cash flows for the year ended on that date.

## 5. OTHER MATTERS

5.1 We did not audit the financial statements of certain subsidiaries included in the consolidated financial statements of the group, whose financial statements reflect total assets of ₹677.83 Crores as at 31st March, 2018, total revenues of ₹ 1503.94 Crores, total net profit after tax of ₹43.79 Crores and total comprehensive income of ₹44.14 Crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, on the Statement, insofar as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

## 6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

6.1 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 of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.

c) The consolidated balance sheet, the consolidated statement of profit and loss including other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with relevant rules issued thereunder.

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the Directors of the Group companies incorporated in India is disqualified as on 31 March 2018 from being appointed as a Director of that company 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 Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 26 (j) to the consolidated financial statements;

ii. The Group has long-term contracts including derivative contracts for which there were no material foreseeable losses; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

Chennai, Dated May 03, 2018

## ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MRF LIMITED.

### 1. REPORT ON THE INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("The Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of MRF LIMITED ("the Holding Company") and its subsidiary companies which are companies incorporated in India, as of that date

### 2. MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Respective Board of Directors of the Holding Company and its subsidiary companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### 3. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the company and its subsidiary companies which are incorporated in India, 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") issued by ICAI and the Standards on Auditing, prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors of a subsidiary company incorporated in India, in terms of their report referred to in other matters paragraph 7 below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting

### 4. MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

**5. INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

**6. OPINION**

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

**7. OTHER MATTERS**

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to a subsidiary company, incorporated in India, is based on the report of the auditors.

| | |
|---|---|
| For SCA AND ASSOCIATES | For MAHESH, VIRENDER & SRIRAM |
| Chartered Accountants | Chartered Accountants |
| Firm Reg.No.101174W | Firm Reg.No.001939S |
| Shivratan Agarwal | B R Mahesh |
| Partner | Partner |
| Mem.No.104180 | Mem.No.18628 |

Chennai, Dated May 03, 2018

## MRF LIMITED, CHENNAI

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2018

₹ Crores

| | Note | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 2 (a) | 6074.70 | 5489.01 |
| Capital Work-in-Progress | 2 (b) | 1078.91 | 847.93 |
| Other Intangible Assets | 2 (c) | 17.47 | 13.23 |
| Financial Assets: | | | |
| Investments | 3 | 1071.27 | 1059.39 |
| Loans | 4 | 14.15 | 3.87 |
| Other financial assets | 5 | 16.35 | 16.10 |
| Deferred Tax Assets (Net) | 6 | 0.26 | 0.31 |
| Other non-current assets | 7 | 342.61 | 304.99 |
| **Current Assets** | | | |
| Inventories | 8 | 2197.33 | 2425.27 |
| Financial Assets: | | | |
| Investments | 3 | 3073.73 | 2322.71 |
| Trade Receivables | 9 | 2149.93 | 1969.00 |
| Cash and cash equivalents | 10 | 193.06 | 246.54 |
| Bank balances other than cash and cash equivalents | 11 | 40.62 | 96.07 |
| Loans | 4 | 1.90 | 3.98 |
| Other financial assets | 5 | 8.63 | 10.15 |
| Other current assets | 7 | 197.56 | 239.92 |
| **TOTAL ASSETS** | | 16478.48 | 15048.47 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity Share Capital | SOCE | 4.24 | 4.24 |
| Other Equity | SOCE | 9733.95 | 8636.52 |
| **Non-Controlling Interest** | | 0.12 | 0.12 |
| **Total Equity** | | 9738.31 | 8640.88 |
| **LIABILITIES** | | | |
| **Non-Current Liabilities** | | | |
| Financial Liabilities: | | | |
| Borrowings | 12 | 1319.33 | 1238.32 |
| Provisions | 13 | 153.04 | 137.49 |
| Deferred Tax Liabilities (Net) | 14 | 619.83 | 502.00 |
| Other non-current liabilities | 15 | 58.08 | 27.74 |
| **Current Liabilities** | | | |
| Financial Liabilities: | | | |
| Borrowings | 12 | 688.52 | 834.13 |
| Trade Payables | 16 | 1568.51 | 1408.37 |
| Other Financial Liabilities | 17 | 536.55 | 576.05 |
| Other Current Liabilities | 15 | 1640.64 | 1496.42 |
| Provisions | 13 | 142.73 | 121.62 |
| Current Tax Liabilities (Net) | | 12.94 | 65.45 |
| **Total Liabilities** | | 6740.17 | 6407.59 |
| **TOTAL EQUITY AND LIABILITIES** | | 16478.48 | 15048.47 |
| Significant Accounting Policies and key accounting estimates and Judgement. | 1 | | |

Accompanying Notes are an integral part of these financial statements.
This is the Consolidated Balance Sheet referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

Chennai, Dated 3rd May, 2018

**MRF LIMITED, CHENNAI**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018** ₹ Crores

| | Note | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations | 18 | 15410.99 | 14929.21 |
| Other Income | 19 | 284.63 | 330.97 |
| **TOTAL INCOME** | | 15695.62 | 15260.18 |
| **EXPENSES** | | | |
| Cost of materials consumed | 20 | 8985.38 | 7679.95 |
| Purchases of Stock-in-Trade | | 45.96 | 42.85 |
| Changes in inventories of Finished Goods, Stock-in-Trade and Work-in-Progress | 21 | 77.61 | (227.71) |
| Employee Benefits expense | 22 | 1092.36 | 1000.36 |
| Finance Costs | 23 | 253.12 | 251.47 |
| Depreciation and Amortisation expense | 2 (a) & (c ) | 706.72 | 610.58 |
| Excise Duty | | 410.59 | 1516.98 |
| Other Expenses | 24 | 2471.23 | 2276.33 |
| **TOTAL EXPENSES** | | 14042.97 | 13150.81 |
| **PROFIT BEFORE TAX** | | 1652.65 | 2109.37 |
| TAX EXPENSE | | | |
| Current Tax (Net of Excess Provision of Earlier Years Written back - ₹ 16.84 Crores) | | 402.14 | 465.06 |
| Deferred Tax | | 118.90 | 158.09 |
| **TOTAL TAX EXPENSE** | | 521.04 | 623.15 |
| **PROFIT FOR THE YEAR** | | 1131.61 | 1486.22 |
| **NON-CONTROLLING INTEREST - ₹ 49,609 (Previous Year - ₹ 51,019)** | | - | - |
| **OTHER COMPREHENSIVE INCOME (OCI)** | | | |
| Items that will not be reclassified to Profit or Loss: | | | |
| Remeasurements of Defined benefit plans | | (3.93) | (18.09) |
| Income Tax relating to items that will not be reclassified to Profit or Loss | | 1.48 | 6.13 |
| Items that may be reclassified to Profit or Loss: | | | |
| Exchange differences in transalating the financial statements of foreign operations | | (2.01) | (1.52) |
| Designated Cash Flow Hedges | | 1.37 | (8.06) |
| Income tax relating to items that may be reclassified to Profit or Loss | | (0.46) | 2.79 |
| **TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | (3.55) | (18.75) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 1128.06 | 1467.47 |
| **EARNINGS PER EQUITY SHARE** | 26 (b) | | |
| Basic | | 2668.17 | 3504.29 |
| Diluted | | 2668.17 | 3 504.29 |
| Significant Accounting Policies and key accounting estimates and judgement. | 1 | | |

Accompanying Notes are an intergral part of these financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

Chennai, Dated 3rd May, 2018

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SOCE) FOR THE YEAR ENDED 31ST MARCH, 2018

₹ Crores

| EQUITY SHARE CAPITAL | | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|
| | Number | Amount | Amount |
| Authorised Share Capital | 9000000 | 9.00 | 9.00 |
| "Issued Share Capital (Excludes 71 bonus shares not issued and not alloted on non-payment of call monies)" | 4241143 | 4.24 | 4.24 |
| Subscribed Share Capital | 4241143 | 4.24 | 4.24 |
| Fully Paid-up Share Capital | 4241143 | 4.24 | 4.24 |
| **Balance at the beginning of the year** | 4241143 | 4.24 | 4.24 |
| Changes in equity share capital during the year: | - | - | - |
| **Balance at the end of the reporting year** | 4241143 | 4.24 | 4.24 |

**Rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital**

The company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

The Company has declared two interim dividends aggregating to ₹ 2.54 Crores (Previous year ₹ 2.54 Crores) which has already been distributed during the Financial Year 2017-18.

| **Shares in the Company held by each shareholder holding more than five percent shares** | As at 31.03.2018 | | As at 31.03.2017 | |
|---|---|---|---|---|
| | No. | % | No. | % |
| Comprehensive Investment and Finance Company Private Limited | 439844 | 10.37% | 438914 | 10.35% |
| MOWI (P) Limited | 507984 | 11.98% | 507984 | 11.98% |

₹ Crores

| OTHER EQUITY | Reserves and Surplus | | | | | | Other Comprehensive Income | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | Securities Premium | Capital Reserve | General Reserve | Capital Redemption reserve | Debenture redemption reserve | Retained Earnings | Effective portion of Cash Flow Hedges | Remeasurements of Defined Benefit Plans | Foreign Currency Transalation Reserve | |
| **Balance at the beginning of the comparative reporting year - 1st April, 2016** | **9.42** | **0.05** | **6730.50** | **0.44** | **73.84** | **421.72** | **(0.90)** | **(16.26)** | **1.29** | **7220.10** |
| Profit for the Comparative Year ending 31st March, 2017 | - | - | - | - | - | 1486.22 | - | - | - | 1486.22 |
| Other Comprehensive Income for the Comparative Year ending 31st March, 2017 | - | - | - | - | - | - | (5.27) | (11.96) | (1.52) | (18.75) |
| **Total Comprehensive Income for the Comparative Year** | **-** | **-** | **-** | **-** | **-** | **1486.22** | **(5.27)** | **(11.96)** | **(1.52)** | **1467.47** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | | | |
| Dividends & Dividend Distribution Tax; | | | | | | | | | | |
| - Interim Dividends (₹ 6 per share) | - | - | - | - | - | (2.54) | - | - | - | (2.54) |
| - Final Dividend (₹94 per share) | - | - | - | - | - | (39.87) | - | - | - | (39.87) |
| - Dividend Distribution Tax | - | - | - | - | - | (8.64) | - | - | - | (8.64) |
| Transfer to General Reserve | - | - | 1842.11 | - | - | (1842.11) | - | - | - | - |
| Transfer (from) / to Debenture Redemption Reserve | - | - | - | - | 14.78 | (14.78) | - | - | - | - |
| **Balance at the beginning of the year** | **9.42** | **0.05** | **8572.61** | **0.44** | **88.62** | **-** | **(6.17)** | **(28.22)** | **(0.23)** | **8636.52** |
| Profit for the Current Reporting Year ending 31st March, 2018 | - | - | - | - | - | 1131.61 | - | - | - | 1131.61 |
| Other Comprehensive Income for the Current Reporting year ending 31st March, 2018 | - | - | - | - | - | - | 0.91 | (2.45) | (2.01) | (3.55) |
| **Total Comprehensive Income for the Reporting Year** | **-** | **-** | **-** | **-** | **-** | **1131.61** | **0.91** | **(2.45)** | **(2.01)** | **1128.06** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | | | |
| Dividends & Dividend Distribution Tax: | | | | | | | | | | |
| - Interim Dividends (₹ 6 per share) | - | - | - | - | - | (2.54) | - | - | - | (2.54) |
| - Final Dividend (₹ 54 per share) | - | - | - | - | - | (22.91) | - | - | - | (22.91) |
| - Dividend Distribution Tax | - | - | - | - | - | (5.18) | - | - | - | (5.18) |
| Transfer to General Reserve | - | - | 1086.20 | - | - | (1086.20) | - | - | - | - |
| Transfer (from) / to Debenture Redemption Reserve | - | - | - | - | 14.78 | (14.78) | - | - | - | - |
| **Balance at the end of the reporting year ending 31st March, 2018** | **9.42** | **0.05** | **9658.81** | **0.44** | **103.40** | **-** | **(5.26)** | **(30.67)** | **(2.24)** | **9733.95** |

Note: No reclassification from OCI to Profit and Loss was required during the reporting period and hence no disclosures reconciling the reclassification adjustments have been detailed relating to each component of OCI.

| Nature and Purpose of each component of equity | Nature and Purpose |
|---|---|
| Securities Premium | Amounts received in excess of par value on issue of shares is classified as Securities Premium. |
| Capital Reserve | Capital reserve was created on purchase of shares by the parent company. |
| General Reserve | General Reserve represents accumulated profits and is created by transfer of profits from Retained Earnings and it is not an item of Other Comprehensive Income and the same shall not be subsequently reclassified to Statement of Profit and Loss. |
| Capital Redemption Reserve | Capital Redemption Reserve represents statutory reserve created upon buyback of equity shares in the earlier years. |
| Debenture Redemption Reserve | Debenture Redemption Reserve is created against the balance redemption liability of Debentures issued by the Company as per statutory requirements. |
| Effective portion of Cash Flow Hedges | Gains / Losses on Effective portion of Cashflow Hedges are Initially recognized in Other Comprehensive Income as per IND AS 109. These gains or losses are reclassified to the Statement of Profit or Loss when the forecasted transaction affects earnings. |
| Remeasurements of Defined Benefit Plans | Gains / Losses arising on Remeasurements of Defined Benefit Plans are recognised in the Other Comprehensive Income as per IND AS-19 and shall not be reclassified to the Statement of Profit or Loss in the subsequent years. |
| Foreign Currency Transalation Reserve | Exchange differences relating to the transalation of the results and net assets of the groups foreign operations from their functional currencies to the Group's presentation currency, i.e, Indian Rupees. |

This is the consolidated statement of Equity referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180
Chennai, Dated 3rd May, 2018

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

**MRF LIMITED, CHENNAI**

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018

₹ Crores

| | | Year ended 31.03.2018 | | Year ended 31.03.2017 | |
|---|---|---|---|---|---|
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES :** | | | | |
| | NET PROFIT BEFORE TAX | | 1652.65 | | 2109.37 |
| | Adjustment for : | | | | |
| | Depreciation | 706.72 | | 610.58 | |
| | Reversal of Impairment of Assets / Financial Assets | (0.44) | | (1.62) | |
| | Unrealised Exchange (Gain) / Loss | (1.86) | | (0.94) | |
| | Impairment of Financial Assets | 0.09 | | 0.45 | |
| | Finance Cost | 253.12 | | 251.47 | |
| | Interest Income | (27.33) | | (33.66) | |
| | Dividend Income | (0.05) | | (0.02) | |
| | Loss / (Gain) on Sale / Disposal of Fixed Assets | 0.97 | | 3.48 | |
| | Fair Value changes in Investments | (227.30) | | (277.31) | |
| | Fair Value changes in Financial Instruments | 22.57 | | 1.41 | |
| | Loss / (Gain) on Sale of Investments | (4.70) | | (0.01) | |
| | Other Adjustments | (2.71) | 719.08 | (0.70) | 553.13 |
| | OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES | | 2371.73 | | 2662.50 |
| | Trade receivables | (177.79) | | (132.23) | |
| | Other receivables | 66.84 | | 78.30 | |
| | Inventories | 227.94 | | (525.46) | |
| | Trade Payable and Provisions | 171.24 | | 303.41 | |
| | Other liabilities | 240.65 | 528.88 | (20.07) | (296.05) |
| | CASH GENERATED FROM OPERATIONS | | 2900.61 | | 2366.45 |
| | Direct Taxes paid | | (475.11) | | (410.73) |
| | NET CASH FROM OPERATING ACTIVITIES | | 2425.50 | | 1955.72 |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| | Purchase of Fixed Assets | (1566.75) | | (1368.54) | |
| | Proceeds from sale of Fixed Assets | 2.71 | | 2.91 | |
| | Purchase of Investments | (3007.48) | | - | |
| | Proceeds from sale of Investments | 2476.58 | | 33.12 | |
| | Fixed Deposits made with Banks | - | | (90.90) | |
| | Fixed Deposits with Banks matured | 55.45 | | - | |
| | Loans (Financial assets) given | (10.66) | | (2.12) | |
| | Interest Income | 23.70 | | 32.81 | |
| | Dividend income | 0.05 | | 0.02 | |
| | NET CASH USED IN INVESTING ACTIVITIES | | (2026.40) | | (1392.70) |

**MRF LIMITED, CHENNAI**

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2018 (Contd.)

₹ Crores

| | | Year ended 31.03.2018 | | Year ended 31.03.2017 | |
|---|---|---|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | | | | |
| (Repayments) / Proceeds from Working Capital Facilities (Net) | | (145.61) | | (51.46) | |
| Proceeds from Term Loans | | 284.36 | | - | |
| Repayments of Term Loans | | (269.60) | | (73.90) | |
| Repayments of Fixed Deposits | | (1.64) | | (1.97) | |
| Sales Tax Deferral | | (34.93) | | (11.40) | |
| Deferred payment Credit | | (0.43) | | (0.38) | |
| Interest paid | | (254.10) | | (247.46) | |
| Dividend and Corporate Dividend Tax | | (30.63) | | (51.05) | |
| NET CASH FROM FINANCING ACTIVITIES | | | (452.58) | | (437.62) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | (53.48) | | 125.40 |
| CASH AND CASH EQUIVALENTS AS AT 31ST MARCH, 2017 | Refer Note 10 | | 246.54 | | 121.14 |
| CASH AND CASH EQUIVALENTS AS AT 31ST MARCH, 2018 | | | 193.06 | | 246.54 |

Notes to Consolidated Cash Flow Statement:

1. The above Consolidated Cash Flow Statement has been prepared under the Indirect Method.
2. Reconciliation of Financing Liabilties

₹ Crores

| | 31.03.2018 | 31.03.2017 |
|---|---|---|
| Opening Balance | 2405.00 | 2538.04 |
| Cash inflow/ (outflow) of non-current borrowings | 82.38 | (256.18) |
| Cash inflow /(outflow) of current borrowings | (250.22) | 117.07 |
| Changes in fair values | (1.37) | 8.05 |
| Other Changes | (1.07) | (1.98) |
| Closing Balance | 2234.72 | 2405.00 |

This is the Consolidated Cash Flow statement referred to in our report of even date.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180
Chennai, Dated 3rd May, 2018

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

## NOTE 1 – BASIS OF CONSOLIDATION AND CONSOLIDATED ACCOUNTING POLICIES UNDER IND AS

### A) General Information

The consolidated financial statements comprise financial statements of MRF Limited (the company) and its subsidiaries (collectively, the Group) for the year ended 31st March 2018.

The Group, except for MRF Corp Ltd., a subsidiary company, is engaged interalia in the manufacture of Rubber Products such as Tyres, Tubes, Flaps, Tread Rubber, Conveyor Belt and trading in rubber. MRF Corp Ltd., is engaged in the manufacture of speciality coatings.

### B) Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the Company and the following subsidiaries as on March 31st, 2018:

| Name | Country of incorporation | Proportion of ownership interest | Financial Statement as on | Accounting Period covered for consolidation |
|---|---|---|---|---|
| MRF Corp Ltd. | India | 100% | March 31, 2018 | April 1st, 2017 – March 31st, 2018 |
| MRF International Ltd. | India | 94.66% | March 31, 2018 | April 1st, 2017 – March 31st, 2018 |
| MRF Lanka Pvt. Ltd. | Sri Lanka | 100% | March 31, 2018 | April 1st, 2017 – March 31st, 2018 |
| MRF SG Pte Ltd. | Singapore | 100% | March 31, 2018 | April 1st, 2017 – March 31st, 2018 |

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31st March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments, if material, are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31st March.

Consolidation procedure:

a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.

b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. IND AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**C) <u>Basis of preparation of financial statements</u>**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

**i. <u>Statement of Compliance</u>**

The Consolidated financial statements have been prepared in accordance with IND AS as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and subsequent amendments thereto.

**ii. <u>Basis of preparation and presentation</u>**

The consolidated financial statements have been prepared on historical cost basis considering the applicable provisions of Companies Act 2013, except for the following items that have been measured at fair value as required by relevant IND AS. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

a) Certain financial assets/liabilities measured at fair value ((refer Note D(19).) and

b) Any other item as specifically stated in the accounting policy.

The Consolidated Financial Statement are presented in INR and all values are rounded off to Rupees Crores unless otherwise stated.

The Consolidated Financial Statements of the Group for the year ended 31st March, 2018 were authorised for issue in accordance with a resolution of the directors on 3rd May, 2018.

## iii. Use of Estimate and judgment

In the application of accounting policy which are described in Para D below, the management is required to make judgment, estimates and assumptions about the carrying amount of assets and liabilities, income and expenses, contingent liabilities and the accompanying disclosures that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are prudent and reasonable. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future period.

The few critical estimations and judgments made in applying accounting policies are:

Property, Plant and Equipment:

Useful life of Property Plant and Equipment and Intangible Assets are as specified in Schedule II to the Companies Act, 2013 and on certain assets based on technical advice which considered the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support.

Impairment of Non-financial Assets:

For calculating the recoverable amount of non-financial assets, the group is required to estimate the value-in-use of the asset or the Cash Generating Unit and the fair value less costs to disposal. For calculating value in use the group is required to estimate the cash flows to be generated from using the asset. The fair value of an asset is estimated using a valuation technique where observable prices are not available. Further, the discount rate used in value in use calculations includes an estimate of risk assessment specific to the asset.

Impairment of Financial Assets:

The group impairs financial assets other than those measured at fair value through profit or loss or designated at fair value through other comprehensive income on expected credit losses. The estimation of expected credit loss includes the estimation of probability of default (PD), loss given default (LGD) and the exposure at default (EAD). Estimation of probability of default apart from involving trend analysis of past delinquency rates include an estimation on forward-looking information relating to not only the counterparty but also relating to the industry and the economy as a whole. The probability of default is estimated for the entire life of the contract by estimating the cash flows that are likely to be received in default scenario. The lifetime PD is reduced to 12 month PD based on an assessment of past history of default cases in 12 months. Further, the loss given default is calculated based on an estimate of the value of the security recoverable as on the reporting date. The exposure at default is the amount outstanding at the balance sheet date.

Defined Benefit Plans:

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and attrition rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Fair Value Measurement of Financial Instruments:

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

## D) Summary of Significant Accounting Policies

### 1) Property, Plant and Equipment (PPE):

For transition to IND AS, the Group has elected to continue with the carrying value of Property, Plant and Equipment ('PPE') recognized as of transition date, measured as per the Previous GAAP and use that carrying value as its deemed cost of the PPE as on the transition date.

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for freehold land which is not depreciated. Cost includes purchase price after deducting trade discount / rebate, import duties, non-refundable taxes, cost of replacing the component parts, borrowing costs and other directly attributable cost of bringing the asset to its working condition in the manner intended by the management and the initial estimates of the cost of dismantling /removing the item and restoring the site on which it is located.

Spare parts procured along with the Plant and Equipment or subsequently which has a useful life of more than 1 year and considering the concept of materiality evaluated by management are capitalized and added to the carrying amount of such items. The carrying amount of items of PPE and spare parts that are replaced is derecognized when no future economic benefits are expected from their use or upon disposal. Other machinery spares are treated as 'stores and spares' forming part of the inventory. If the cost of the replaced part is not available, the estimated cost of similar new parts is used as an indication of what the cost of the existing part was when the item was acquired.

An item of PPE is derecognised on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss when asset is derecognised.

The depreciable amount of an asset is determined after deducting its residual value. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation charge is recognised till the asset's residual value decreases below the asset's carrying amount. Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the intended manner. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with IND AS 105 and the date that the asset is derecognised.

| **Description of the Asset** | **Estimated Useful life** |
|---|---|
| **Tangible:** | |
| Land – Leasehold | Primary period of lease |
| Building – Factory<br>– Other than factory buildings | 30 Years<br>60 Years |
| Plant and Equipment | 5-10 Years |
| Moulds | 6 Years |
| Furniture and Fixtures | 5 Years |
| Computer Servers | 5 Years |
| Computers | 3 Years |
| Office Equipment | 5 Years |
| Other Assets, viz., Electrical Fittings, Fire Fighting/Other Equipments and Canteen Utensils | 10 Years |
| Renewable Energy Saving Device – Windmills | 22 Years |
| Vehicles | 5 Years |
| **Intangible:** | |
| Software | 5 Years |

Depreciation on the property, plant and equipment, is provided over the useful life of assets based on management estimates which is in line with the useful life indicated in Schedule II to the Companies Act, 2013. Depreciation on all assets except Renewable Energy Saving Devices is provided on straight line basis whereas depreciation on renewable energy saving devices is provided on reducing balance basis. Plant and Machinery, Moulds, Vehicles, Furniture and Fixtures and Computer Servers are depreciated based on management estimate of the useful life of the assets, and is after considering the nature of the asset, the usage of the asset, expected physical wear and tear, the operating conditions of the asset, anticipated technological changes, manufacturers warranties and maintenance support.

Depreciation on fixed assets added/disposed off during the year is provided on pro rata basis with reference to the date of addition/disposal.

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

Further, the Group has identified and determined separate useful life for each major component of fixed assets, if they are materially different from that of the remaining assets, for providing depreciation in compliance with Schedule II of the Companies Act, 2013.

In respect of fixed assets of MRF Lanka Pvt. Ltd. and MRF SG Pte Ltd. depreciation is provided on straight line method based on management estimate of useful life of assets based on internal technical evaluation, except for certain fixed assets namely Building, Plant and Machinery, Moulds and Equipments of MRF Lanka Pvt Ltd, which are depreciated on Written Down Value method. The proportion of depreciation of the subsidiaries to the total depreciation of the group is not material.

Depreciation on fixed assets added/disposed off during the period is provided on pro-rata basis with reference to the date of addition/disposal. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**2) <u>Intangible Assets:</u>**

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Software (not being an integral part of the related hardware) acquired for internal use are treated as intangible assets.

An item of Intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any profit or loss 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 Consolidated statement of profit and loss when the asset is derecognised.

Intangible Assets are amortised over 5 years on straight-line method over the estimated useful economic life of the assets.

The group undertakes Research and Development activities for development of new and improved products. All expenditure incurred during Research and Development are analysed into research phase and development phase. The group recognises all expenditure incurred during the research phase in the profit or loss whereas the expenditure incurred in development phase are presented as Intangible Assets under Development till the time they are available for use in the manner intended at which moment they are treated as Intangible Assets and amortised over their estimated useful life.

**3) <u>Impairment of tangible (PPE) and intangible assets:</u>**

At the end of each reporting period, the Group reviews the carrying amounts of its PPE and other intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. 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. The resulting impairment loss is recognised in the Consolidated statement of profit and loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised in the Consolidated statement of profit and loss.

**4) Inventories:**

Inventories consisting of stores and spares, raw materials, work in progress, stock in trade and finished goods are valued at lower of cost and net realisable value. However, materials held for use in production of inventories are not written down below cost, if the finished products are expected to be sold at or above cost.

The cost is computed on FIFO basis except for stores and spares which are on daily moving Weighted Average Cost basis and is net of input tax credits under various tax laws.

Goods and materials in transit include materials, duties and taxes (other than those subsequently recoverable from tax authorities) labour cost and other related overheads incurred in bringing the inventories to their present location and condition.

Traded goods includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

Inventory obsolescence is based on assessment of the future uses. Obsolete and slow moving items are subjected to continuous technical monitoring and are valued at lower of cost and estimated net realisable value. When Inventories are sold, the carrying amount of those items are recognized as expenses in the period in which the related revenue is recognized.

**5) Leases:**

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

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item (i.e. PPE), are generally capitalized at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of minimum lease payments. Where the group has right to sell the leased asset at fair value on the date of sale, it is considered that substantially all the risks and benefits incidental to ownership of the leased items have been transferred. Lease payments are apportioned between finance charges and a reduction in lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Consolidated statement of profit and loss.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to Consolidated statement of profit and loss over the period of lease on straight line basis other than those cases where the escalations are linked to expected general inflation in which case they are charged on contractual terms.

**6) Government Grants:**

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the group will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue, it is recognised as income on a systematic basis in the Consolidated Statement of Profit and Loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities in respect of loans/ assistance received subsequent to the date of transition.

**7) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event and it is probable (i.e. more likely than not) 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. Such provisions are determined based on management estimate of the amount required to settle the obligation at the balance sheet date. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a standalone asset only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received from it.

Contingent liabilities are disclosed on the basis of judgment of management / independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

Provisions for warranty-related costs are recognized when the product is sold to the customer. Initial recognition is based on scientific basis as per past trends of such claims. The initial estimate of warranty-related costs is revised annually.

Contingent Assets are not recognized, however, disclosed in financial statement when inflow of economic benefits is probable.

**8) Foreign Currency Transactions:**

The financial statements of Group are presented in INR, which is also the functional currency. In preparing the financial statements, transactions in currencies other than the entity’s functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. The date of transaction in case of advance receipts/payments is determined considering the advance receipts/payments and subsequent exports/imports as a single transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling on the date of transaction.

On consolidation, the assets and liabilities of foreign operations are translated into INR at the exchange rate prevailing at the reporting date and their statement of profit and loss are translated at the exchange rate prevailing on the date of transactions. For practical reasons, the group uses an average rate to translate income and expense items, if they average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation for consolidation are recognised in consolidated statement of OCI. On disposal of foreign operation, the relevant component of OCI is reclassified to consolidated statement of profit and loss.

**9) Share Capital and Share Premium:**

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax from the proceeds. Par value of the equity share is recorded as share capital and the amount received in excess of the par value is classified as share premium.

**10) Dividend Distribution to equity shareholders:**

The Group recognizes a liability to make cash distributions to equity holders when the distribution is authorized. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in other equity along with any tax thereon.

**11) Cash Flows and Cash and Cash Equivalents:**

Statement of cash flows is prepared in accordance with the indirect method prescribed in the relevant IND AS. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cheques and drafts on hand, deposits held with Banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and book overdrafts. However, Book overdrafts are to be shown within borrowings in current liabilities in the balance sheet for the purpose of presentation.

**12) Revenue Recognition:**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Sale of Goods

Revenue from sale of goods is recognized, when all significant risks and rewards are transferred to the buyer, as per the terms of the contracts and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods. It includes excise duty and excludes value added tax/sales tax/Goods and Service Tax. It is measured at fair value of consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of Services

Revenue from rendering of services is recognized as per the terms of the contract with customers when related services are performed and when the outcome of the transactions involving rendering of services can be estimated reliably.

Dividend Income

Dividend Income is accounted for when the right to receive the same is established, which is generally when shareholders approve the dividend.

Interest Income

Interest Income on financial assets measured at amortised cost is recognised on a time-proportion basis using the effective interest method.

**13) Borrowing costs:**

Borrowing cost includes interest, commitment charges, brokerage, underwriting costs, discounts / premiums, financing charges, exchange difference to the extent they are regarded as interest costs and all ancillary / incidental costs incurred in connection with the arrangement of borrowing.

Borrowing costs which are directly attributable to acquisition / construction of qualifying assets that necessarily takes a substantial period of time to get ready for its intended use are capitalized as a part of cost pertaining to those assets. All other borrowing costs are recognised as expense in the period in which they are incurred.

The group identifies the borrowings into specific borrowings and general borrowings. Specific borrowings are borrowings that are specifically taken for the purpose of obtaining a qualifying asset. Borrowing cost incurred on specific borrowings are capitalised to the cost of the qualifying asset. For general borrowings, the group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset based on the weighted average of the borrowing costs applicable to general borrowings. The capitalisation on borrowing costs commences when the group incurs expenditure for the asset, incurs borrowing cost and undertakes activities that are necessary to prepare the asset for its intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development of a qualifying asset is suspended. The capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

**14) Employee Benefits:**

**a) Short term Employee Benefits:**

All employee benefits payable wholly within twelve months of rendering services are classified as short term employee benefits. Benefits such as salaries, wages, short-term compensated absences, performance incentives etc., are recognized during the period in which the employee renders related services and are measured at undiscounted amount expected to be paid when the liabilities are settled.

**b) Long Term Employee Benefits:**

The cost of providing long term employee benefit such as earned leave is measured as the present value of expected future payments to be made in respect of services provided by employees upto the end of the reporting period. The expected costs of the benefit is accrued over the period of employment using the same methodology as used for defined benefits post employment plans. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Consolidated statement of profit and loss in which they arise except those included in cost of assets as permitted. The benefit is valued annually by independent actuary.

**c) Post Employment Benefits:**

The Group provides the following post employment benefits:

i) Defined benefit plans such as gratuity, trust managed Provident Fund and post-retirement medical benefit (PRMB); and

ii) Defined contributions plans such as provident fund, pension fund and superannuation fund.

d) **Defined benefits Plans:**

The cost of providing benefits on account of gratuity and post retirement medical benefits / obligations are determined using the projected unit credit method on the basis of actuarial valuation made at the end of each balance sheet date, which recognises each period of service as given rise to additional unit of employees benefit entitlement and measuring each unit separately to build up the final obligation. The yearly expenses on account of these benefits are provided in the books of accounts.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Consolidated statement of profit and loss except those included in cost of assets as permitted.

Re-measurements comprising of actuarial gains and losses arising from experience adjustments and change in actuarial assumptions, the effect of change in assets ceiling (if applicable) and the return on plan asset (excluding net interest as defined above) are recognized in other comprehensive income (OCI) except those included in cost of assets as permitted in the period in which they occur. Re-measurements are not reclassified to the Consolidated statement of profit and loss in subsequent periods.

Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) is recognized in the Consolidated statement of profit and loss except those included in cost of assets as permitted in the period in which they occur.

Eligible employees of the Group receive benefits from a provident fund trust which is a defined benefit plan. Both the eligible employee and the Group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employees salary. The Group contributes a part of the contribution to the provident fund trusts. The trusts invests in specific designated instruments as permitted by Indian Law. The remaining portion is contributed to the Government Administered Pension Fund. The rate at which the annual interest is payable to the beneficiaries by the trusts is administered by the Government. The Group has obligation to make good the shortfall, if any, between the return from investments of the Trusts and the notified interest rate. However, as at the year end no shortfall remains unprovided for.

e) **Defined Contribution Plans:**

Payments to defined contribution retirement benefit plans, viz., Provident Fund for certain eligible employees, Pension Fund and Superannuation benefits are recognized as an expense when employees have rendered the service entitling them to the contribution.

15) **Taxes on Income:**

Income tax expense represents the sum of tax currently payable and deferred tax. Tax is recognized in the Consolidated statement of profit and loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

a) **Current Tax:**

Current tax includes provision for Income Tax computed under Special provision (i.e., Minimum alternate tax) or normal provision of Income Tax Act. Tax on Income for the current period is determined on the basis on estimated taxable income and tax credits computed in accordance with the provisions of the relevant tax laws and based on the expected outcome of assessments/appeals.

b) **Deferred Tax:**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unabsorbed losses and unabsorbed depreciation to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unabsorbed losses and unabsorbed depreciation can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Minimum Alternate Tax(MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the group will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the group will pay normal income tax during the specified period.

The deferred tax assets (Net) and deferred tax liabilities(Net) are determined separately for the parent and each subsidiary company, as per their applicable laws and then aggregated.

**16) <u>Earnings per Share:</u>**

Basic earnings per share is calculated by dividing the profit from continuing operations and total profit, both attributable to equity shareholders of the Group by the weighted average number of equity shares outstanding during the period.

**17) <u>Current versus non-current classification:</u>**

The Group presents assets and liabilities in the Balance Sheet based on current/non-current classification.

a) An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the 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.

b) A liability is current when:

- It is expected to be settled in the 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.

All other liabilities are classified as non-current.

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

**18) Fair value measurement:**

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of asset and liability if market participants would take those into consideration. Fair value for measurement and / or disclosure purposes in these financial statements is determined in such basis except for transactions in the scope of IND AS 2, 17 and 36. Normally at initial recognition, the transaction price is the best evidence of fair value.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All financial assets and financial liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

Financial assets and financial liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

**19) 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. The Group recognizes a financial asset or financial liability in its balance sheet only when the entity becomes party to the contractual provisions of the instrument.

**a) Financial Assets**

A financial asset inter-alia includes any asset that is cash, equity instrument of another entity or contractual obligation to receive cash or another financial asset or to exchange financial asset or financial liability under condition that are potentially favourable to the Group.

Financial assets other than investment in subsidiaries

Financial assets of the Group comprise trade receivable, cash and cash equivalents, Bank balances, Investments in equity shares of companies other than in subsidiaries, investment other than equity shares, loans/advances to employee / related parties / others, security deposit, claims recoverable etc.

Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Consolidated statement of profit and loss. Where transaction price is not the measure of fair value and fair value is determined using a valuation method that uses data from observable market, the difference between transaction price and fair value is recognized in Consolidated statement of profit and loss and in other cases spread over life of the financial instrument using effective interest method.

<u>Subsequent measurement</u>

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

- Financial assets measured at amortized cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

<u>Financial assets measured at amortized cost</u>

Financial assets are measured at amortized cost if the financials asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financials assets are amortized using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of profit and loss. The losses arising from impairment are recognized in the consolidated statement of profit and loss in finance costs.

<u>Financial assets at fair value through OCI (FVTOCI)</u>

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. At initial recognition, an irrevocable election is made (on an instrument-by-instrument basis) to designate investments in equity instruments other than held for trading purpose at FVTOCI. Fair value changes are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the income statement. On derecognition of the financial asset other than equity instruments, cumulative gain or loss previously recognised in OCI is reclassified to Profit or Loss.

<u>Financial assets at fair value through profit or loss (FVTPL)</u>

Any financial asset that does not meet the criteria for classification as at amortized cost or as financial assets at fair value through other comprehensive income, is classified as financial assets at fair value through profit or loss. Further, financial assets at fair value through profit or loss also include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are fair valued at each reporting date with all the changes recognized in the Consolidated statement of profit and loss.

<u>Derecognition</u>

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

<u>Impairment of financial assets</u>

The Group assesses impairment based on expected credit loss (ECL) model on the following:

- Financial assets that are measured at amortised cost.
- Financial assets measured at fair value through other comprehensive income (FVTOCI).

ECL is measured through a loss allowance on a following basis after considering the value of recoverable security:-

- The 12 month expected credit losses (expected credit losses that result from those default events on the financial instruments that are possible within 12 months after the reporting date)
- Full life time expected credit losses (expected credit losses that result from all possible default events over the life of financial instruments)

The Group follows 'simplified approach' for recognition of impairment on trade receivables or contract assets resulting from normal business transactions. The application of simplified approach does not require the Group to track changes in credit risk. However, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, from the date of initial recognition.

For recognition of impairment loss on other financial assets, the Group determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has increased significantly, lifetime ECL is provided. For assessing increase in credit risk and impairment loss, the Group assesses the credit risk characteristics on instrument-by-instrument basis.

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

Impairment loss allowance (or reversal) recognized during the period is recognized as expense/income in the consolidated statement of profit and loss.

**b) <u>Financial Liabilities:</u>**

The Group's financial liabilities include loans and borrowings including book overdraft, trade payable, accrued expenses and other payables.

<u>Initial recognition and measurement</u>

All financial liabilities at initial recognition are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Any difference between the proceeds (net of transaction costs) and the fair value at initial recognition is recognised in the Consolidated statement of profit and loss or in the "Expenditure Attributable to Construction" if another standard permits inclusion of such cost in the carrying amount of an asset over the period of the borrowings using the effective rate of interest.

<u>Subsequent measurement</u>

The subsequent measurement of financial liabilities depends upon the classification as described below:-

<u>Financial Liabilities classified as Amortised Cost:</u>

Financial Liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. 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 Effective Interest Rate. Interest expense that is not capitalised as part of costs of assets is included as Finance costs in the Consolidated statement of profit and loss.

<u>Financial Liabilities at Fair value through profit and loss (FVTPL)</u>

FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Financial liabilities have not been designated upon initial recognition at FVTPL.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged / cancelled / expired. 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 recognized in the consolidated statement of profit and loss.

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.

**c) Derivatives**

Derivative instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The resulting gain or loss is recognized in the Consolidated statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument and is recognized in Other Comprehensive Income (OCI). Cash flow hedges shall be reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

**d) Recent accounting pronouncements**

The Ministry of Corporate Affairs (MCA), on 28th March 2018, notified IND AS 115, Revenue from Contracts with Customers, as part of the Companies (Indian Accounting Standards) Amendment Rules, 2018. The new standard is effective for accounting periods beginning on or after 1st April 2018.

The nature of the impending changes in the accounting policy on adoption of IND AS 115, is described below :

IND AS 115 will supersede the current revenue recognition guidance including IND AS 18, Revenue, IND AS 11, Construction contracts and the related interpretations when it becomes effective.

The core principle of IND AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Identify the contract(s) with a customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contract and Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IND AS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IND AS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by IND AS 115.

The group is currently assessing the impact of IND AS 115 and the effect on the financial statements is not likely to be material.

₹ Crores

| Note 2 (a): PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | | | Note 2 (c) : INTANGIBLES |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | Land | | Buildings | Plant & equipment | Furniture and fixtures | Vehicles | Office equipment | Computers | Moulds | Other Assets | Total | Computer Software |
| | Freehold | Leased | | | | | | | | | | |
| **Gross Block** | | | | | | | | | | | | |
| **Carrying Value as at 31.03.2017** | 526.44 | 84.53 | 1436.53 | 4004.91 | 14.31 | 25.60 | 22.90 | 29.89 | 325.64 | 239.64 | 6710.39 | 21.02 |
| Additions | 1.87 | - | 340.34 | 779.26 | 3.94 | 5.02 | 5.39 | 7.28 | 89.91 | 57.37 | 1290.38 | 9.95 |
| Disposals * | - | - | (2.71) | (33.07) | (0.55) | (1.78) | (0.73) | (4.64) | (14.23) | (3.11) | (60.82) | (0.02) |
| **Carrying Value as at 31.03.2018** | 528.31 | 84.53 | 1774.16 | 4751.10 | 17.70 | 28.84 | 27.56 | 32.53 | 401.32 | 293.90 | 7939.95 | 30.95 |
| **Depreciation Block** | | | | | | | | | | | | |
| **Accumulated depreciation / Amortisation as at 31.03.2017** | - | 0.37 | 83.57 | 945.53 | 6.67 | 7.60 | 9.03 | 14.74 | 97.22 | 56.65 | 1221.38 | 7.79 |
| Depreciation / Amortisation for the year | - | 0.92 | 51.29 | 520.43 | 3.16 | 5.68 | 5.41 | 7.30 | 66.73 | 40.09 | 701.01 | 5.71 |
| Disposals | - | - | (0.20) | (32.28) | (0.50) | (1.63) | (0.73) | (4.63) | (14.16) | (3.01) | (57.14) | (0.02) |
| Impairment/(Reversal) of Impairment | - | - | - | - | - | - | - | - | - | - | - | - |
| **Accumulated depreciation / Amortisation as at 31.03.2018** | - | 1.29 | 134.66 | 1433.68 | 9.33 | 11.65 | 13.71 | 17.41 | 149.79 | 93.73 | 1865.25 | 13.48 |
| Net Block | | | | | | | | | | | | |
| As at 31.03.2017 | 526.44 | 84.16 | 1352.96 | 3059.38 | 7.64 | 18.00 | 13.87 | 15.15 | 228.42 | 182.99 | 5489.01 | 13.23 |
| **As at 31.03.2018** | **528.31** | **83.24** | **1639.50** | **3317.42** | **8.37** | **17.19** | **13.85** | **15.12** | **251.53** | **200.17** | **6074.70** | **17.47** |

**Note 2 (b). CAPITAL WORK-IN-PROGRESS**

| | |
|---|---|
| **As at 31.03.2017** | **847.93** |
| **As at 31.03.2018** | **1078.91** |

Note: 1. Freehold land includes agricultural land - ₹0.12 Crores (31.03.2017 - ₹ 0.12 crores).

2. Other assets represents Electrical Fittings, Fire Fighting/Other Equipments and Canteen Utensils.

3. The amount of Borrowing Cost capitalised during the year ended 31st March, 2018 - ₹ 3.02 Crores (31.03.2017 - ₹ 10.01 crores).

4. The Company has classified the leasehold land as a finance lease, after exercise of judgement based on evaluation of facts and circumstances and considering the indicators envisaged in Para 10 & 11 of IND AS 17 "Leases".

5. Capital expenditure on Research and Development (including Building) during the year - ₹ 110.86 crores (previous year - ₹ 158.92 crores).

* Cost of Freehold land sold during the year - ₹ 1831/-.

## NOTE 3 : INVESTMENTS

| | | No. of Shares / Units (in Nos.) | | ₹ Crores | |
|---|---|---|---|---|---|
| | Face Value ₹ | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| **Non-Current Investments** | | | | | |
| **Fully Paid-up** | | | | | |
| **Quoted - Non Trade** | | | | | |
| **Equity Shares (at fair value through Profit or Loss )** | | | | | |
| Equity Shares in ICICI Bank Ltd. | 2 | 116665 | 116665 | 3.25 | 3.23 |
| Equity Shares in EIH Associated Hotels Ltd. | 10 | 2000 | 2000 | 0.10 | 0.07 |
| Equity Shares in Housing Development Finance Corporation Ltd. | 2 | 4000 | 4000 | 0.73 | 0.60 |
| Equity Shares in JK Tyres & Industries Ltd.- ₹26,887 (31.03.2017 - ₹21,772) | 2 | 165 | 165 | - | - |
| Equity Shares in Bengal & Assam Company Limited-₹4,198 (31.03.2017 - ₹3, 421) | 10 | 2 | 2 | - | - |
| Equity Shares in HDFC Bank Ltd. | 2 | 2000 | 2000 | 0.38 | 0.29 |
| Equity Shares in Akzo Nobel India Ltd | 10 | 50 | 50 | 0.01 | 0.01 |
| Equity Shares in Asian Paints Ltd | 1 | 3840 | 3840 | 0.43 | 0.41 |
| Equity Shares in Bakelite Hylam Ltd - ₹500 (31.03.2017-₹500) | 10 | 50 | 50 | - | - |
| Equity Shares in Baroda Rayon Corporation Ltd - ₹50 (31.03.2017-₹50) | 10 | 5 | 5 | - | - |
| Equity Shares in Bayer CropScience Ltd | 10 | 50 | 50 | 0.02 | 0.02 |
| Equity Shares in Camphor & Allied Products Ltd | 10 | 70 | 70 | 0.01 | 0.01 |
| Equity Shares in Century Enka Ltd - ₹ 15,078 (31.03.2017 - ₹ 21,370) | 10 | 50 | 50 | - | - |
| Equity Shares in Forbes & Co Ltd | 10 | 50 | 50 | 0.01 | 0.01 |
| Equity Shares in Gujarat Carbon & Industries Ltd - ₹500 (31.03.2017 - ₹43) | 10 | 50 | 50 | - | - |
| Equity Shares in J K Synthetics Ltd - ₹150 (31.03.2017-₹150) | 10 | 15 | 15 | - | - |
| Equity Shares in Nirlon Ltd - ₹9,975 (31.03.2017 -₹10,198) | 10 | 50 | 50 | - | - |
| Equity Shares in NOCIL - ₹19,135 (31.03.2017- ₹9,385) | 10 | 100 | 100 | - | - |
| Equity Shares in Philips Carbon Black Ltd. (31.03.2017 -₹16,500) | 10 | 50 | 50 | 0.01 | - |
| Equity Shares in SRF Ltd. | 10 | 50 | 50 | 0.01 | 0.01 |
| Equity Shares in Synthetics & Chemicals Ltd - ₹500 (31.03.2017- ₹500) | 10 | 50 | 50 | - | - |
| Equity Shares in Tata Steel Ltd - ₹11,418 (31.03.2017-₹9,653) | 10 | 20 | 20 | - | - |
| **Aggregate Amount of Quoted Investments** | | | | 4.96 | 4.66 |

## NOTE 3 : INVESTMENTS (Contd.)

| | | No. of Shares / Units (in Nos.) | | ₹ Crores | |
|---|---|---|---|---|---|
| | Face Value ₹ | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| **Unquoted - In Mutual Fund Units: (at fair value through Profit or Loss )** | | | | | |
| **Income Plan: Growth Option** | | | | | |
| HDFC High Interest Fund- Short Term Plan- Regular Plan | 10 | 34772317 | 37492354 | 120.30 | 122.63 |
| HDFC Short Term Plan - Regular Plan | 10 | - | 5946232 | - | 19.27 |
| Aditya Birla Sun life Dynamic Bond Fund - Direct Plan | 10 | 8765778 | 8765778 | 27.04 | 26.05 |
| Aditya Birla Sun life Dynamic Bond Fund - Regular Plan | 10 | - | 29525827 | - | 85.72 |
| Reliance Short Term Fund - Growth Plan Growth Option - STGP | 10 | - | 6095089 | - | 18.78 |
| ICICI Prudential Institutional Short term Plan - Cumulative Option | 10 | - | 2717258 | - | 9.59 |
| Sundaram Fixed Term Plan GY-Direct Plan | 10 | - | 30000000 | - | 34.86 |
| IDFC Ultra Short Term Fund- Regular Plan | 10 | - | 1866670 | - | 4.30 |
| SBI SHF Ultra Short Term Debt Fund - Regular Plan | 1,000 | - | 61558 | - | 12.93 |
| HDFC High Interest Fund- Dynamic Plan - Direct - Growth Option | 10 | 1935998 | 1935998 | 11.88 | 11.34 |
| HDFC Medium Term Opportunities Fund- Direct Plan- Growth Option | 10 | 24691641 | 24691641 | 47.92 | 44.88 |
| Aditya Birla Sun life Short Term Fund - Direct Plan | 10 | 2045716 | 2045716 | 13.67 | 12.79 |
| Aditya Birla Sun life Short Term Fund - Regular Plan | 10 | 5618909 | 5618909 | 37.34 | 34.99 |
| Aditya Birla Sun life Short Term Opportunities Fund - Regular Plan | 10 | 4718438 | 4718438 | 13.62 | 12.80 |
| Aditya Birla Sun life Treasury Optimizer Plan - Direct Plan | 100 | 674241 | 617679 | 15.14 | 12.99 |
| Aditya Birla Sun life Treasury Optimizer Plan - Regular Plan | 100 | 1744625 | 1744625 | 38.66 | 36.32 |
| Aditya Birla Sun life Floating Rate Fund Long Term - Regular Plan | 100 | 779493 | 779493 | 16.58 | 15.50 |
| Aditya Birla Sun Life Short Term Opportunities Fund - Direct Plan | 10 | 13067518 | 13067518 | 38.84 | 36.29 |
| IDFC Super Saver Income Fund- Medium Term Plan - Regular Plan | 10 | 36400615 | 36400615 | 105.88 | 100.93 |
| IDFC Ultra Short Term Fund- Direct Plan | 10 | 6413102 | 6413102 | 15.90 | 14.85 |
| DHFL Pramerica Short Maturity Fund | 10 | - | 7504245 | - | 22.36 |
| TATA Short Term Bond Fund - Regular Plan | 10 | 10896570 | 10896570 | 35.18 | 33.31 |
| UTI Short Term Income Fund- Institutional Option-Direct Plan | 10 | - | 5763855 | - | 11.71 |
| UTI Short Term Income Fund- Institutional Option | 10 | - | 60766664 | - | 121.16 |
| UTI- Treasury Advantage Fund-Institutional Plan | 1,000 | - | 68805 | - | 15.42 |
| ICICI Prudential Short Term Option Plan | 10 | 26480287 | 26480287 | 95.89 | 90.36 |

## NOTE 3 : INVESTMENTS (Contd.)

| | No. of Shares / Units (in Nos.) | | | ₹ Crores | |
|---|---|---|---|---|---|
| | Face Value ₹ | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| HDFC High Interest Fund - Dynamic Plan - Regular Plan | 10 | 6073551 | 6073551 | 35.79 | 34.40 |
| HDFC Floating Rate Income Fund- Short term plan whole sale option - Regular Plan | 10 | 2421650 | 2421650 | 7.32 | 6.85 |
| Sundaram Ultra Short Term Fund Regular | 10 | 7089864 | 7089864 | 16.81 | 15.79 |
| Sundaram Select Debt Short Term Asset Plan Regular | 10 | 12622926 | 12622926 | 37.60 | 35.49 |
| Aditya Birla Sun Life Dynamic Bond Fund- Regular Plan | 10 | 12534372 | - | 37.58 | - |
| IDFC Cash Fund-Growth- Direct Plan | 1,000 | 351428 | - | 74.16 | - |
| ICICI Prudential Short Term - Direct Plan - Growth Option | 10 | 21657408 | - | 81.22 | - |
| ICICI Prudential Flexible Income - Direct Plan - Growth Option | 100 | 2454364 | - | 82.24 | - |
| HDFC Floating Rate Income Fund-Short Term Plan- Direct Plan- Wholesale Option- Growth Option | 10 | 12855285 | - | 39.05 | - |
| HDFC Liquid Fund - Direct Plan - Growth Option | 1,000 | 60272 | - | 20.63 | - |
| **Non-Trade - Unquoted** | | | | | |
| **Others: (at fair value through Profit or Loss)** | | | | | |
| Equity Shares in Mammen Mappillai Investments Pvt. Ltd. | 10 | 65000 | 65000 | 0.07 | 0.07 |
| Ordinary Shares in MRF Employees Co-operative Society Ltd.-₹ 40000 (31.03.2017 -₹40000) | 25 | 1600 | 1600 | - | - |
| Ordinary Shares in The Ranipet Leather Finishing Servicing Industrial Co-operative Society Ltd. ₹ 5000 (31.03.2017 -₹ 5000) | 100 | 50 | 50 | - | - |
| Equity Shares in Chennai Willingdon Corporate Foundation-₹ 50 (31.03.2017 - ₹ 50) | 10 | 5 | 5 | - | - |
| Note: The Company had invested in Co-operative Societies and in certain other companies towards the corpus. These are non participative shares and normally no dividend is accrued. The Company has carried these investments at it transaction value considering it to be its fair value. | | | | | |
| **Aggregate Amount of Unquoted Investments** | | | | 1066.31 | 1054.73 |
| **Grand Total** | | | | 1071.27 | 1059.39 |

## NOTE 3 : INVESTMENTS (Contd.)

| | Face Value ₹ | No. of Shares / Units (in Nos.) As at 31.03.2018 | As at 31.03.2017 | ₹ Crores As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|---|---|---|
| **Current Investments** | | | | | |
| **Fully paid up - Unquoted - Non Trade** | | | | | |
| **Unquoted - In Mutual Fund Units: (at fair value through Profit or Loss )** | | | | | |
| **Income Plan: Growth Option** | | | | | |
| UTI-ST Income Fund Ins(G) | 10 | 1041988 | 295706 | 2.20 | 0.58 |
| Birla SL-FRF Long Term Reg. (G) | 100 | 110652 | 64358 | 2.35 | 1.28 |
| Birla Sun Life Dynamic Bond Fund(G) | 10 | 611777 | 611777 | 1.84 | 1.78 |
| L&T Income Opportunities Fund | 10 | 866463 | 878819 | 1.72 | 1.64 |
| ICICI Prudential Mutual Fund Collection 1 AC | 10 | 579996 | 579996 | 1.08 | 1.01 |
| HDFC High Int Fund-STP-Post IPO coll | 10 | 318528 | 167286 | 1.10 | 0.55 |
| HDFC Short Term Plan | 10 | 646269 | 646269 | 2.23 | 2.09 |
| Reliance Regular Savings Fund-Debt | 10 | 218922 | - | 0.53 | - |
| L&T Resurgent India Corporate Bond Fund | 10 | 1212326 | - | 1.58 | - |
| Reliance Corporate Bond Fund | 10 | 729714 | - | 1.02 | - |
| ICICI Short Term Fund | 10 | 282112 | - | 1.02 | - |
| HDFC Banking And Psu Debt Fund Collection A/c | 10 | 720425 | - | 1.01 | - |
| Aditya Birla Sun Life Corporate Bond Fund | 10 | 788389 | - | 1.02 | - |
| Reliance Money Manager Fund | 1,000 | 4227 | - | 1.01 | - |
| UTI - Liquid Cash Plan - Institutional | 1,000 | - | 149355 | - | 39.68 |
| UTI - Treasury Advantage Fund - Institutional Plan | 1,000 | - | 1196542 | - | 268.22 |
| ICICI Prudential Savings Fund | 100 | - | 1215844 | - | 29.73 |
| ICICI Prudential Flexible Income | 100 | 5586259 | 7367845 | 186.20 | 229.39 |
| ICICI Prudential Liquid Plan | 100 | 2884989 | 394396 | 74.18 | 9.47 |
| ICICI Prudential Short Term - Option Plan | 10 | 4199807 | 4199807 | 15.21 | 14.33 |
| Reliance Liquid Fund-Cash Plan-Growth Option - CPG Plan | 1,000 | - | 115318 | - | 29.34 |

## NOTE 3 : INVESTMENTS (Contd.)

| | No. of Shares / Units (in Nos.) | | | ₹ Crores | |
|---|---|---|---|---|---|
| | Face Value ₹ | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Reliance Money Manager Fund-Growth Plan - Growth Option - LPIG | 1,000 | - | 168599 | - | 37.81 |
| Reliance Medium Term Fund - Growth Plan - Growth Option - IPGP | 10 | - | 5266727 | - | 17.97 |
| Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option - LFIG | 1,000 | - | 13684 | - | 5.41 |
| HDFC Cash Management Fund - Treasury - Advantage plan - Wholesale - Regular Plan | 10 | - | 16607563 | - | 59.89 |
| HDFC Regular Savings Fund - Regular Plan- Growth Option | 10 | 4393376 | 4393376 | 15.13 | 14.24 |
| HDFC Liquid Fund - Regular Plan - Premium Plan | 1,000 | - | 93198 | - | 30.37 |
| HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option -Regular Plan | 10 | 57992970 | 97124594 | 175.39 | 274.57 |
| HDFC Liquid Fund - Regular Plan | 1,000 | - | 29580 | - | 9.46 |
| Aditya Birla Sun Life Floating Rate Fund Short Term Plan - Regular Plan | 100 | - | 1406187 | - | 30.41 |
| Aditya Birla Sun Life Cash Manager- Institutional Plan | 100 | - | 1891226 | - | 52.00 |
| Aditya Birla Sun Life Floating Rate Fund Long Term - Regular Plan | 100 | 7117204 | 7844428 | 151.43 | 155.94 |
| Aditya Birla Sun Life Cash Plus - Regular Plan | 100 | - | 364072 | - | 9.48 |
| Aditya Birla Sun Life Treasury Optimizer Plan - Regular Plan | 100 | 848006 | 2259785 | 18.79 | 47.05 |
| Aditya Birla Sun Life Savings Fund - Regular Plan | 100 | 5358593 | 5358593 | 183.21 | 170.75 |
| Aditya Birla Sun Life Short Term Opportunities Fund - Regular Plan | 10 | 5242908 | 5242908 | 15.13 | 14.23 |
| Kotak Flexi Debt Regular Plan - Regular | 10 | - | 12983092 | - | 27.25 |
| Kotak Liquid Regular Plan - Regular | 1,000 | - | 28752 | - | 9.46 |
| SBI SHF- Ultra Short Term Fund - Institutional Plan | 1,000 | - | 207399 | - | 44.33 |
| SBI Ultra Short Term Debt Fund - Regular Plan | 1,000 | - | 307774 | - | 64.65 |
| SBI Premier Liquid Fund - Regular Plan | 1,000 | - | 37116 | - | 9.45 |
| IDFC Ultra Short Term Fund - Direct Plan | 10 | 123286612 | 66879275 | 305.71 | 154.84 |
| IDFC Ultra Short Term Fund- Regular Plan | 10 | - | 20165731 | - | 46.44 |
| IDFC Cash Fund - Regular Plan | 1,000 | - | 47988 | - | 9.46 |
| IDFC Super Saver Income Fund-Medium Term Plan- Regular Plan | 10 | 5130715 | 5130715 | 14.92 | 14.23 |
| Sundaram Ultra Short Term Fund Regular Plan | 10 | 71203949 | 71203949 | 168.80 | 158.52 |
| Tata Liquid Plan Fund Regular plan | 1,000 | - | 31599 | - | 9.44 |
| TATA Ultra Short term Fund Regular Plan | 1,000 | 616955 | 616955 | 162.50 | 152.09 |
| Aditya Birla Sun Life Fixed Term Plan - Series LX (1099 days) - Regular | 10 | - | 3000000 | - | 3.75 |

## NOTE 3 : INVESTMENTS (Contd.)

| | No. of Shares / Units (in Nos.) | | | ₹ Crores | |
|---|---|---|---|---|---|
| | Face Value ₹ | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| DHFL Pramerica Fixed Maturity Plan - Series 77 - Regular | 10 | - | 7000000 | - | 8.83 |
| HDFC FMP 1128D September 2014 (1) Series 32 - Regular | 10 | - | 10000000 | - | 12.48 |
| HDFC FMP1134D September 2014 (1) Series 32 - Regular | 10 | - | 16000000 | - | 20.23 |
| ICICI Prudential FMP Series 75-1100 Days Plan J Cumulative | 10 | - | 10000000 | - | 12.37 |
| Sundaram Fixed Term Plan GK 1120 days Regular | 10 | - | 5000000 | - | 6.22 |
| Kotak Liquid Direct Plan - Growth Option | 1,000 | 330799 | - | 116.51 | - |
| Aditya Birla Sun Life Cash Plus - Direct Plan | 100 | 3552093 | - | 99.22 | - |
| SBI Premier Liquid Fund - Direct Plan- Growth Option | 1,000 | 427460 | - | 116.46 | - |
| Sundaram Ultra Short- Term Fund - Direct Plan - Growth Option | 10 | 57254944 | - | 139.40 | - |
| Sundaram Money Fund - Direct Plan - Growth Option | 10 | 20241175 | - | 74.15 | - |
| Sundaram Fixed Term Plan- GY Direct Growth Option | 10 | 30000000 | - | 37.34 | - |
| TATA Liquid Fund - Direct Plan - Growth Option | 1,000 | 269193 | - | 86.24 | - |
| IDFC Super Saver Income Fund-Medium Term Plan - Growth - Direct Plan | 10 | 26330795 | - | 79.40 | - |
| ICICI Prudential Short Term - Direct Plan - Growth Option | 10 | 15483787 | - | 58.07 | - |
| ICICI Prudential Flexible Income - Direct Plan - Growth Option | 100 | 1735507 | - | 58.15 | - |
| HDFC Liquid Fund - Direct Plan - Growth Option | 1,000 | 278480 | - | 95.35 | - |
| HDFC Floating Rate Income Fund-Short Term Plan-Direct Plan - Wholesale Option - Growth Option | 10 | 32665249 | - | 99.24 | - |
| L&T Liquid Fund- Direct Plan- Growth Option | 1,000 | 637252 | - | 151.85 | - |
| Aditya Birla Sun Life Savings Fund- Direct Plan | 100 | 4023135 | - | 138.37 | - |
| Aditya Birla Sun Life Short Term Opportunities Fund- Direct Plan | 10 | 26813681 | - | 79.69 | - |
| Aditya Birla Sun life Treasury Optimizer Plan - Direct Plan | 100 | 3550764 | - | 79.72 | - |
| Kotak Low Duration Fund- Direct Plan - Growth Option | 1,000 | 265937 | - | 58.26 | - |
| **Aggregate Amount of Unquoted Investments** | | | | 3073.73 | 2322.71 |
| **Grand Total** | | | | 3073.73 | 2322.71 |

## NOTE 4 : LOANS (Unsecured, considered good)

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Loans to employees | 14.15 | 3.87 | 1.90 | 3.98 |
| | 14.15 | 3.87 | 1.90 | 3.98 |

## NOTE 5 : OTHER FINANCIAL ASSETS

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Bank deposits with more than 12 months maturity | 3.55 | 1.86 | - | - |
| Others: | | | | |
| Security Deposits | 1.02 | 0.99 | - | - |
| Interest Accrued on Loans,Deposits etc | - | - | 3.03 | 4.10 |
| Salary and wage advance | - | - | 5.60 | 6.05 |
| Deposits - Rent | 11.78 | 13.25 | - | - |
| | 16.35 | 16.10 | 8.63 | 10.15 |

## NOTE 6 : DEFERRED TAX ASSETS (NET)

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Deferred Tax Liability: | | |
| Arising on account of timing difference in: | | |
| Depreciation | (0.15) | (0.17) |
| Deferred Tax Asset: | | |
| Accrued Expenses allowable on Actual Payments | 0.07 | 0.05 |
| Carried Forward Business Losses | 0.34 | 0.43 |
| **Deferred Tax Asset (Net)** | 0.26 | 0.31 |

## NOTE 7 : OTHER ASSETS

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Capital Advances | 205.72 | 170.50 | 0.03 | 0.19 |
| Advances other than capital advances: | | | | |
| Security Deposits | 49.91 | 49.20 | - | - |
| Advances to Employees | - | - | 39.88 | 31.88 |
| | 255.63 | 219.70 | 39.91 | 32.07 |
| Others: | | | - | |
| Advance payment of Income Tax / Tax Deducted at Source (after adjusting provision) | 85.79 | 65.33 | - | - |
| Balance with statutory authorities | - | - | 11.81 | 65.78 |
| Advances recoverable in cash or kind | 1.19 | 19.96 | 141.66 | 120.30 |
| Prepaid Expenses | - | - | 4.18 | 21.77 |
| | 86.98 | 85.29 | 157.65 | 207.85 |
| | 342.61 | 304.99 | 197.56 | 239.92 |

## NOTE 8 : INVENTORIES

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Raw Materials | 872.42 | 934.51 |
| Raw Materials in transit | 81.42 | 88.06 |
| Work-in-progress | 210.48 | 222.59 |
| Finished goods | 688.34 | 877.09 |
| Stock-in-trade | 44.71 | 30.51 |
| Stores and spares | 299.96 | 272.51 |
| | 2197.33 | 2425.27 |

## NOTE 9 : TRADE RECEIVABLES

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Trade receivables | | |
| Secured, considered good | 1239.64 | 1164.43 |
| Unsecured, considered good | 910.29 | 804.57 |
| Unsecured considered as Doubtful | 2.59 | 2.94 |
| Less: Impairment provision on Expected Credit Loss Model | (2.59) | (2.94) |
| | 2149.93 | 1969.00 |

Note: The Group has used a practical expedient for computing expected credit loss allowance for trade receivables, taking into account historical credit loss experience and accordingly, provisions are made for expected credit loss for amounts due from customers where necessary.

## NOTE 10 : CASH AND CASH EQUIVALENTS

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Balances with Banks (of the nature of cash and cash equivalents) | 139.31 | 199.94 |
| Cheques, drafts on hand; and | 52.64 | 45.74 |
| Cash on hand | 1.11 | 0.86 |
| | 193.06 | 246.54 |

## NOTE 11 : BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Deposits with original maturity of more than 3 months, but less than 12 months | 38.13 | 93.58 |
| Others: | | |
| Unclaimed Dividend Account | 2.49 | 2.49 |
| | 40.62 | 96.07 |

## Note 12 : BORROWINGS

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| **NON-CURRENT** | | |
| Secured | | |
| Debentures: | | |
| 10.09% Secured Redeemable Non Convertible (5000 Debentures of ₹10,00,000/- each) | 500.00 | 500.00 |
| Unsecured | | |
| Term loans from Banks: | | |
| External Commercial Borrowings (ECB) | 804.82 | 701.30 |
| Fixed Deposits | - | 3.57 |
| Sales tax deferral scheme | 8.79 | 27.25 |
| Others | | |
| Deferred payment liabilities | 5.72 | 6.20 |
| | 1319.33 | 1238.32 |
| **CURRENT** | | |
| Secured | | |
| Loans repayable on demand | | |
| from banks | 688.52 | 834.13 |
| | 688.52 | 834.13 |
| | 2007.85 | 2072.45 |

Note: Security and terms of repayment in respect of above borrowings are detailed in Note 26 (g).

## NOTE 13 : PROVISIONS

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Provision for employee benefits | 36.81 | 34.71 | 43.04 | 44.06 |
| Others: | | | | |
| Warranty and others | 116.23 | 102.78 | 99.69 | 77.56 |
| | 153.04 | 137.49 | 142.73 | 121.62 |

## NOTE 14 : DEFERRED TAX LIABILITIES (NET)

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Deferred Tax Liabilities: | | |
| Arising on account of difference in carrying amount and tax base of PPE and Intangibles | 532.76 | 462.23 |
| Unrealised (gain)/loss on FVTPL debt Mutual Funds | 176.87 | 125.28 |
| Other adjustments | 7.74 | 14.59 |
| | 717.37 | 602.10 |
| Deferred Tax Asset: | | |
| Accrued Expenses allowable on Actual Payments | (31.10) | (47.07) |
| Net gain on remeasurements of defined benefit plans | (16.27) | (14.79) |
| Net gain on revaluation of designated cash flow hedges | (2.81) | (3.27) |
| Others | - | (0.47) |
| | (50.18) | (65.60) |
| MAT Credit | (47.36) | (34.50) |
| | 619.83 | 502.00 |

## NOTE 15 : OTHER LIABILITIES

₹ Crores

| | Non-Current | | Current | |
|---|---|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 | As at 31.03.2018 | As at 31.03.2017 |
| Revenue received in advance | - | - | 67.46 | 35.40 |
| Others: | | | | |
| Dealers' Security Deposit | - | - | 1323.52 | 1237.26 |
| Retention Money | 19.97 | 23.30 | | |
| Statutory Dues | - | - | 210.53 | 193.22 |
| Liabilities for expenses | - | - | 39.12 | 30.54 |
| Others | 38.11 | 4.44 | 0.01 | - |
| | 58.08 | 27.74 | 1640.64 | 1496.42 |

## NOTE 16 : TRADE PAYABLES

₹ Crores

| | As at 31.03.2018 | As at 31.03.2017 |
|---|---|---|
| Outstanding due of Micro and Small Enterprises | 17.33 | 13.88 |
| Outstanding due of Creditors other than Micro and Small Enterprises | 1551.18 | 1394.49 |
| | 1568.51 | 1408.37 |
| Of the above: | | |
| Acceptances | 307.60 | 345.32 |

## NOTE 17 : OTHER FINANCIAL LIABILITIES

₹ Crores

| | Current | |
|---|---|---|
| | As at 31.03.2018 | As at 31.03.2017 |
| Current maturities of long-term debt | 155.78 | 260.39 |
| Interest accrued | 68.60 | 69.58 |
| Unclaimed dividends | 2.49 | 2.49 |
| Unclaimed matured deposits and interest accrued thereon | - | 0.09 |
| Others: | | |
| Employee benefits | 162.02 | 135.16 |
| Liabilities for expenses | 129.32 | 71.73 |
| Derivatives(Net) | 8.08 | 27.06 |
| Others | 10.26 | 9.55 |
| | 536.55 | 576.05 |

## NOTE 18 : REVENUE FROM OPERATIONS

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Sale Of Products | 15286.91 | 14830.82 |
| Sale Of Services | 30.91 | 32.42 |
| Other Operating Revenues: | - | - |
| Export Incentives | 28.08 | 20.67 |
| Subsidy from State Government | 17.54 | 6.41 |
| Scrap Sales | 45.43 | 38.69 |
| Miscellaneous | 2.12 | 0.20 |
| | 15410.99 | 14929.21 |

## NOTE 19 : OTHER INCOME

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Interest Income | 27.33 | 33.66 |
| Dividend Income | 0.05 | 0.02 |
| Net gain on sale of Investments classified as FVTPL | 4.70 | 0.01 |
| Net gains on fair value changes on financial assets classified as FVTPL | 227.30 | 277.14 |
| Other Non-Operating Income: | | |
| Miscellaneous Income | 25.25 | 20.14 |
| | 284.63 | 330.97 |

## NOTE 20 : COST OF MATERIALS CONSUMED

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Opening Stock of Raw Materials | 1022.57 | 741.70 |
| Purchases during the year | 8916.65 | 7960.82 |
| Closing Stock of Raw Materials | (953.84) | (1022.57) |
| | 8985.38 | 7679.95 |

## NOTE 21 : CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-TRADE AND WORK-IN-PROGRESS

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Closing Stock: | | |
| Finished Goods | 688.34 | 877.09 |
| Work-in-Progress | 210.48 | 222.59 |
| Stock-in-Trade | 44.71 | 30.51 |
| | 943.53 | 1130.19 |
| Less: Opening Stock: | | |
| Finished Goods | 877.09 | 732.64 |
| Work-in-Progress | 222.59 | 148.44 |
| Stock-in-Trade | 30.51 | 19.56 |
| | 1130.19 | 900.64 |
| Differential Excise Duty on Opening and Closing stock of Finished Goods | (109.05) | 1.84 |
| | 77.61 | (227.71) |

## NOTE 22 : EMPLOYEE BENEFITS EXPENSE

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Salaries and Wages | 899.89 | 822.94 |
| Contribution to provident and other funds | 88.60 | 80.05 |
| Staff welfare expenses | 103.87 | 97.37 |
| | 1092.36 | 1000.36 |

## NOTE 23 : FINANCE COSTS

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Interest on Loans and Deposits | 195.04 | 191.29 |
| Interest on Debentures | 50.45 | 50.45 |
| Interest on Deferred Payment Credit | 0.76 | 0.81 |
| Other Borrowing Costs: | | |
| Unwinding of discount relating to Long Term Liabilities | 6.13 | 7.36 |
| Bank Charges | 0.74 | 1.56 |
| | 253.12 | 251.47 |

## NOTE 24 : OTHER EXPENSES

₹ Crores

| | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|
| Stores and Spares Consumed | 313.51 | 302.34 |
| Power and Fuel | 638.23 | 580.94 |
| Processing Expenses | 194.77 | 184.28 |
| Rent | 66.05 | 57.86 |
| Rates and Taxes | 11.31 | 14.19 |
| Insurance | 19.42 | 16.67 |
| Printing and Stationery | 7.76 | 6.97 |
| Repairs and Renewals: | | |
| Buildings | 22.82 | 18.55 |
| Plant and Machinery | 114.53 | 89.66 |
| Other Assets | 51.70 | 44.97 |
| Travelling and Conveyance | 46.62 | 44.31 |
| Communication Expenses | 6.82 | 7.02 |
| Vehicle Expenses | 9.77 | 6.10 |
| Auditors' Remuneration: | | |
| As Auditors: | | |
| Audit fee | 0.62 | 0.55 |
| Tax Audit fee | 0.10 | 0.09 |
| Other Services | 0.11 | 0.31 |
| Reimbursement of Expenses | 0.06 | 0.19 |
| | 0.89 | 1.14 |
| Cost Auditors Remuneration: | | |
| Audit fee | 0.06 | 0.06 |
| Directors' Fees | 0.19 | 0.19 |
| Directors' Travelling Expenses | 5.49 | 4.21 |
| Advertisement | 268.45 | 265.06 |
| Warranty | 32.81 | 2.46 |
| Sales tax absorbed by the company | 0.67 | 0.25 |
| Bad debts written off (Net) | 0.16 | 0.11 |
| Commission and Discount | 8.72 | 8.90 |
| Freight and Forwarding (Net) | 476.40 | 433.79 |
| Loss on Sale of Fixed Asset | 0.97 | 3.48 |
| Net Loss on Foreign Currency Transactions | 42.90 | 75.68 |
| Bank Charges | 5.62 | 5.11 |
| Provision for impairment of Financial Assets | 0.09 | 0.45 |
| Miscellaneous Expenses | 124.50 | 101.58 |
| | 2471.23 | 2276.33 |

## NOTE 25 :

### A. Capital Management

For the purpose of Group's Capital Management, capital includes Issued Equity Capital, Securities Premium, and all other Equity Reserves attributable to the Equity Holders of the Group. The primary objective of the Group's Capital Management is to maximise the Share Holder Value.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions and requirements of the financial covenants and to continue as a going concern. The Group monitors using a gearing ratio which is net debts divided by total capital plus net debt. The group includes within net debt, interest bearing loans and borrowings, less cash and short term deposit.Consequent to such capital structure, there are no externally imposed capital requirements. In order to maintain an optimal capital structure, the group allocates its capital for distribution as dividend or reinvestment into bussiness based on its long term financial plans.

### B. Financial Risk Management

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the operations of the Group. The principal financial assets include trade and other receivables, investments in mutual funds and cash and short term deposits.

The Group has assessed market risk, credit risk and liquidity risk to its financial instruments.

**i) Market Risk**

Is the risk of loss of future earnings, fair values or cash flows that may result from a change in the price of a financial instrument, as a result of interest rates, foreign exchange rates and other price risks. Financial instruments affected by market risks, primarily include loans & borrowings, investments and foreign currency receivables, payables and borrowings.

a) Interest Rate Risk :

The Group borrows funds in Indian Rupees and Foreign currency, to meet both the long term and short term funding requirements.The Interest rate risk in terms of Foreign currency is managed through financial instruments available to convert floating rate liability into fixed rate liability. The Group due to its AAA rated status commands one of the cheapest source of funding. Interest rate is fixed for the tenor of the Long term loans availed by the Group. Interest on Short term borrowings is subject to floating interest rate and are repriced regularly. The sensitivity analysis detailed below have been determined based on the exposure to variable interest rates on the average outstanding amounts due to bankers over a year.

If the interest rates had been 1% higher / lower and all other variables held constant, the Group's profit for the year ended 31st March, 2018 would have been decreased/increased by ₹ 7.03 Crores.

b) Currency Risk :

The Group is not exposed to significant risk with regard to foreign currency borrowing and payables.

The foreign currency loans are designated as cash flow hedges and are fully covered for the tenor of the loan.

Foreign currency risks from financial instruments at the end of the reporting period expressed in INR :

Unhedged Short Term Exposures : ₹ Crores

| | | 31.03.2018 | 31.03.2017 |
|---|---|---|---|
| Financial Assets | USD | 165.08 | 153.29 |
| Financial Liabilites | USD | (63.57) | (107.90) |

The group is mainly exposed to changes in US Dollar. The sensitivity to a 0.25% to 1% increase or decrease in US Dollar against INR with all other variables held constant will be +/( - ) ₹ 0.22 Crores (previous year ₹ 0.37 Crores)

The Sensitivity analysis is prepared on the net unhedged exposure of the group at the reporting date.

**Hedged Foreign Currency exposures :**

Foreign Exchange forward Contracts on External Commercial borrowings / Buyers line of credit are measured at fair value through OCI on being designated as Cash Flow Hedges.

The Group also enters into foreign exchange forward contracts with the intention to minimise the foreign exchange risk of expected purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

**The outstanding position and exposures are as under :**

i) Foreign Currency forward contracts designated as Hedge Instruments :

| | Currency | Amount | ₹ Crores | Nature | Cross Currency |
|---|---|---|---|---|---|
| Currency/Interest Rate Swap | USD | 150.00 Million | 948.49 | ECB Loan /Buyer's | INR |
| | | (151.50) Million | (929.49) | Line of Credit | |

The terms of the foreign currency forward contracts match the terms of the transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The net unrealised gain of ₹ 1.37 Crores (Previous year Loss - ₹ 8.06 Crores), net of deferred tax liability of ₹ 0.46 Crores (Previous year asset - ₹ 2.79 Crores) is included in OCI.

ii) Other Forward Contract Outstanding :

| | Currency | Amount | ₹ Crores | Nature | Cross Currency |
|---|---|---|---|---|---|
| Forward Contract | USD | 2.02 Million | 12.90 | Buyer's Line of Credit | INR |
| | | (42.97) Million | (285.32) | | |
| Forward Contract | USD | 172.08 Million | 1133.73 | Import purchase | INR |
| | | (53.52) Million | (358.35) | | |
| Forward Contract | USD | 30.59 Million | 199.38 | Sales | USD |
| | | (64.30) Million | (416.99) | | |

Figures in brackets are in respect of Previous year.

c) Price Risk :

The Group is affected by the price stability of certain commodities. Due to the significantly increased volatility of certain commodities like Natural Rubber, Synthetic Rubber and other Chemicals, the Group enters into purchase contracts on a short to medium Term and forward foreign exchange contracts are entered into to bring in stability of price fluctuations.

The Group's investments in Quoted and Unquoted Securities are susceptible to market price risk arising from uncertainties about future values of investment securities. The group manages the securities price risk through investments in debt funds and diversification by placing limits on individual and total investments. Reports on Investment Portfolio are reviewed on regular basis and all approvals of investment decisions are done in concurrence with the senior management.

As at 31at March 2018 the investments in debt mutual funds amounts to ₹ 4139.97 Crores. A 1% point increase or decrease in the NAV with all other variables held constant would have lead to approximately an additional ₹ 41 Crores on either side in the statement of profit and loss.

**ii) Credit Risk**

Is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. It arises from credit exposure to customers, financial instruments viz., Investments in Equity Shares, Debt Funds and Balances with Banks.

The Group's marketing policies are well structured and all replacement sales are predominantly through dealers and the outstanding are secured by dealer deposits. As regards sales to O.E., and other institutional sales, the Group carries out periodic credit checks and also limits the exposure by establishing maximum payment period for customers and by offering prompt payment discounts. The outstanding trade receivables due for a period exceeding 180 days as at the year ended 31st March, 2018 is 0.27 % (31st March, 2017 - 0.36%) of the total trade receivables.

The Group uses Expected Credit Loss (ECL) Model to assess the impairment loss or gain. The allowance for lifetime ECL on customer balances for the year ended 31st March, 2018 was ₹ 2.59 Crores and for the year ended 31st March, 2017 was ₹ 2.94 Crores.

₹ Crores

| | Year ended 31.03.2018 | Year ended 31.03.2017 |
|---|---|---|
| Balance at the beginning | 2.94 | 2.46 |
| Impairment loss recognised | 0.09 | 0.48 |
| Impairment loss reversed | (0.44) | - |
| Balance at the end | 2.59 | 2.94 |

The Group holds cash and deposits with banks which are having highest safety rankings and hence has a low credit risk.

Investments in mutual funds are primarily debt funds, which have high safety ratings and are monitored on a monthly basis and the Group is of the opinion that its mutual fund investments have low credit risk.

**iii) Liquidity Risk**

The Group manages liquidity risk by maintaining adequate surplus, banking facilities and reserve borrowings facilities by continuously monitoring forecasts and actual cash flows.

The Group has a system of forecasting rolling three months cash inflow and outflow and all liquidity requirements are planned.

All Long term borrowings are for a fixed tenor and generally these cannot be foreclosed.

The Group has access to various source of Short term funding and debt maturing within 12 months can be rolled over with existing lenders/new lenders, or repaid based on short term requirements.

Trade and other payables are plugged into the three months rolling cash flow forecast to ensure timely funding, if required.

All payments are made along due dates and requests for early payments are entertained after due approval and availing early payment discounts.

The details of the contractual maturities of significant financial liabilities as at 31st March, 2018 are as under:

₹ Crores

| | Refer Note | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Borrowings (Long Term) | Note 12 & 17 | 155.78 | 757.01 | 559.23 | 3.09 |
| | | (260.39) | (620.93) | (613.53) | (3.86) |
| Trade Payable | Note 16 | 1568.51 | - | - | - |
| | | (1408.37) | (-) | (-) | (-) |
| Other Financial Liabilities | Note 17 | 216.26 | - | - | - |
| | | (178.01) | (-) | (-) | (-) |
| Employee Benefit liabilities | Note 17 | 162.02 | - | - | - |
| | | (135.16) | (-) | (-) | (-) |
| Unclaimed dividends | Note 17 | 2.49 | - | - | - |
| | | (2.49) | (-) | (-) | (-) |

Figures in brackets are in respect of Previous year.

## NOTE 26 - ADDITIONAL / EXPLANATORY INFORMATION

**a. Disclosures**

(i) The Notes to these consolidated IND AS financial statements are disclosed to the extent relevant and necessary for presenting a true and fair view of the consolidated IND AS financial statements based on section 129(4) of The Companies Act, 2013 and as clarified vide Circular No.39/2014 dated 14th October,2014.

(ii) Movement in Provisions as required by IND AS - 37 - "Provisions, Contingent Liabilities and Contingent Assets" are the same as disclosed in the Standalone IND AS Financial Statements.

(iii) Consolidated Employee benefit disclosures are not materially different from the employee benefit disclosures of the standalone IND AS financial statements of the Company.

**b. Earnings Per Share**

| | | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|---|---|---|---|
| Profit after taxation | ₹ Crores | 1131.61 | 1486.22 |
| Number of equity shares (Face Value ₹10/-) | Nos. | 4241143 | 4241143 |
| Earnings per share | ₹ | 2668.17 | 3504.29 |

**c. Related party disclosures:**

(a) Names of other related parties and nature of relationship:

Key Management Personnel:

i) Mr. K.M. Mammen, Chairman and Managing Director

ii) Mr. Arun Mammen, Vice Chairman and Managing Director (w.e.f. 4th May, 2017)
Managing Director (Upto 3rd May, 2017)

iii) Mr. Rahul Mammen Mappillai, Managing Director (w.e.f. 4th May, 2017)
Whole time Director (Upto 3rd May, 2017)

iv) Mr. Samir Thariyan Mappillai ,Whole time Director (w.e.f. 4th August, 2017)

v) Mr. Varun Mammen ,Whole time Director (w.e.f. 4th August, 2017)

vi) Mr. Ravi Mannath, Company Secretary

vii) Mr. Madhu P Nainan, Vice President Finance

| | | |
|---|---|---|
| Relatives of Key Management Personnel: | i) | Mrs. Ambika Mammen,Director (Wife of Chairman and Managing Director) |
| | ii) | Dr. (Mrs) Cibi Mammen, Director (Wife of Vice Chairman and Managing Director) |
| | iii) | Mr. Samir Thariyan Mappillai (Son of Chairman and Managing Director) |
| | iv) | Mrs. Meera Mammen (Mother of Mr Varun Mammen) |
| Companies in which Directors are interested: | | Badra Estate & Industries Limited, Devon Machines Pvt Ltd, Coastal Rubber Equipments Pvt Ltd, Comprehensive Investments & Finance Co.Pvt Ltd, Kirloskar Electric Co. Ltd, Braga Industries LLP, Funskool (India) Ltd, Pandalur Plantations Pvt Ltd, Gokul Rubber & Tea Plantations Ltd, VPC Freight Forwarders Pvt Ltd., Madras Christian College, MM Rubber Co. Ltd, Chennai International Centre. |
| Other Related Parties: | | Mr. Jacob Kurian- Director, MRF Ltd Executives Provident Fund Trust, MRF Management Staff Gratuity Scheme, MRF Employees Gratuity Scheme, MRF Managers' Superannuation Scheme. |

(b) Transactions with related parties (excluding reimbursements)

i) Compensation of Key Management Personnel:

₹ Crores

| | Sitting Fees | | Remuneration* | | Commission Payable | Commission Payable |
|---|---|---|---|---|---|---|
| | Year Ended 31.03.2018 | Year Ended 31.03. 2017 | Year Ended 31.03. 2018 | Year Ended 31.03.2017 | As at 31.03. 2018 | As at 31.03. 2017 |
| Short Term Employee Benefit (including Commssion) | - | - | 72.67 | 55.48 | - | - |
| Commission Payable | - | - | - | - | 30.64 | 23.17 |
| ii) Compensation to Relatives of Key Management Personnel; | 0.02 | 0.02 | 1.54 | 0.62 | - | - |

* Remuneration does not include provisions made for Gratuity and Leave benefits as they are determined on an actuarial basis for the Company as a whole.

iii) Companies in which Directors are interested:

| | |
|---|---|
| Purchase of Raw Materials/Components / Machinery | Coastal Rubber Equipments Pvt Ltd - ₹ 62.45 Crores (Previous Year-₹ 56.19 Crores), Devon Machines Pvt Ltd ₹ 16.88 Crores (Previous Year-₹ 20.82 Crores), Braga Industries LLP - ₹ 83.05 Crores (Previous Year - ₹ 84.76 Crores), and Others ₹ Nil (Previous Year - ₹ 0.01 Crores) |
| Selling & Distribution Expenses | Funskool (India) Ltd ₹ 1.40 Crores.(Previous Year - ₹ 1.05 Crores) |
| Payment towards Services | VPC Freight Forwarders Pvt Ltd-₹ 3.32 Crores (Previous Year-₹ 5.94 Crores),Coastal Rubber Equipments Pvt Ltd-₹ 1.69 Crores (Previous Year- ₹ 1.39 Crores),Braga Industries LLP-₹ 0.64 Crores (Previous Year - ₹0.60 Crores),Madras Christian College-₹ 0.08 Crores(Previous Year - ₹ 0.13 Crores),M M Rubber Company Ltd - ₹ 0.05 Crores(Previous Year ₹ Nil),Chennai International Center-₹0.03 Crores(Previous Year -₹ 0.02 Crores),Kirloskar Electric Company Limited-₹0.10Crores(Previous Year ₹ 0.02 Crores) |
| Lease Rent Received | Funskool India Ltd ₹ 1.18 Crores (Previous Year- ₹ 1.14 Crores) |
| Sale of Materials | Funskool India Ltd ₹ 0.01 Crores (Previous Year- ₹0.03 Crores) |
| Balance Outstanding: | |
| Payable | Devon Machines Pvt Ltd - ₹ 0.22 Crores (Previous Year - ₹ Nil Crores), Coastal Rubber Equipment Pvt Ltd - ₹ 1.07 Crores (Previous Year - ₹ Nil), Braga Industries LLP - ₹ 11.04 Crores (Previous Year - ₹ 11.76 Crores) |
| Receivable | Funskool India Ltd - ₹ 0.26 Crores (Previous Year - ₹ 0.14 Crores) |

iv) Other Related Parties:

| | |
|---|---|
| Professional Charges | Mr.Jacob Kurien -₹ 0.14 Crores (Previous Year - ₹ 0.16 Crores) |
| Contributions | MRF Ltd Executives Provident Fund Trust - ₹ 9.95 Crores (Previous Year - ₹ 8.47 Crores), MRF Management Staff Gratuity Scheme - ₹ 9.20 Crores (Previous Year - ₹ 5.23 Crores), MRF Employees Gratuity Scheme -₹ 15.80 Crores (Previous Year-₹ 0.77 Crores), MRF Managers' Superannuation Scheme -₹ 13.97 Crores(Previous Year-₹11.89 Crores). |
| Balance Outstanding: | |
| Contributions Payable | MRF Ltd Executives Provident Fund Trust -₹ 0.87 Crores (Previous Year- ₹0.74 Crores), MRF Management Staff Gratuity Scheme - ₹ 17.64 Crores (Previous Year-₹ 17.76 Crores), MRF Employees Gratuity Scheme - ₹ 18.73 Crores (Previous Year - ₹ 19.59 Crores). |

c) Terms and conditions of transactions with related parties:

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (Previous Year - Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**d. Additional information on Net Assets and Share of Profit as at 31st March, 2018**

| Name of the entity | | Net Assets, i.e., total assets minus total liabilities | | Share in profit or loss | | Share in Other comprehensive Income (OCI) | |
|---|---|---|---|---|---|---|---|
| | | As a % of consolidated net assets | Amount (₹ Crores) | As a % of net Profit | Amount (₹ Crores) | As a % of OCI | Amount (₹ Crores) |
| Parent | | | | | | | |
| - MRF Ltd. | 2017-18 | 98.34 | 9597.47 | 96.41 | 1601.91 | 10.28 | (1.89) |
| | 2016-17 | 98.62 | 8541.96 | 97.96 | 2066.37 | 42.45 | (16.84) |
| Parent Subsidiaries | | | | | | | |
| Indian | | | | | | | |
| - MRF Corp.Ltd | 2017-18 | 0.61 | 59.58 | 1.33 | 22.23 | 1.90 | 0.35 |
| | 2016-17 | 0.52 | 45.01 | 0.76 | 16.02 | 1.14 | (0.39) |
| - MRF International Ltd. | 2017-18 | 0.02 | 2.25 | 0.01 | 0.13 | | |
| | 2016-17 | 0.02 | 1.51 | 0.01 | 0.14 | | |
| Foreign | | | | | | | |
| - MRF Lanka (P) Ltd. | 2017-18 | 0.22 | 21.89 | 0.05 | 0.80 | | |
| | 2016-17 | 0.25 | 21.97 | 0.11 | 2.33 | | |
| - MRF SG Pte. LTD | 2017-18 | 0.81 | 78.74 | 2.20 | 36.52 | | |
| | 2016-17 | 0.59 | 51.42 | 1.16 | 24.51 | | |
| Minority Interest | | | | | | | |
| Indian Subsidiary | 2017-18 | - | 0.12 | - | - | | |
| | 2016-17 | - | 0.12 | - | - | - | - |

**e. Disclosures under IND AS 108 - "Operating Segment" : (Refer Note 26(k))**

The Group is engaged interalia in the manufacture of Rubber Products such as Tyres, Tubes, Flaps, Tread Rubber and Conveyor Belt. These in the context of IND AS - 108 - 'Operating Segment' are considered to constitute one single primary segment. The Group's operations outside India do not exceed the quantitative threshold for disclosure envisaged in the IND AS. Non-reportable segments has not been disclosed as unallocated reconciling item in view of its materiality. In view of the above, operating segment disclosures for business/geographical segment are not applicable to the Group.

Entity wide disclosure as per paragraph 31 of IND AS 108: ₹ Crores

| (i) Products: | Year ended 31.03.2018 | Year ended 31.03.2017 |
|---|---|---|
| Automobile Tyres | 13484.72 | 13019.27 |
| Automobile Tubes | 1153.71 | 1167.01 |
| Speciality Coating | 174.58 | 170.27 |
| Others | 473.90 | 474.27 |
| | 15286.91 | 14830.82 |

| | | ₹ Crores | |
|---|---|---|---|
| | | Year ended 31.03.2018 | Year ended 31.03.2017 |
| (ii) | Revenue from Customers: | | |
| | India | 13933.84 | 13505.17 |
| | Outside India | 1353.07 | 1325.65 |
| | | 15286.91 | 14830.82 |
| (iii) | Non-Current Assets: | | |
| | India | 8615.72 | 7765.22 |
| | Outside India | 3.66 | 3.80 |

(iv) There are no transactions with single customer which amounts to 10% or more of the Company's revenue.

**f. Terms of Repayment and Security Description of Current Borrowings:**

i) Loans repayable on demand from banks are secured by hypothecation of Inventories and book debts ,equivalent to the outstanding amount and carries interest rates at the rate of 7.85% to 9.75% (Previous year 8.25% to 9.75 %)

ii) Rupee Export Packing Credit is repayable within a year and carries interest rates at the rate of 5.77% to 7.95% (Previous year - Nil)

iii) Buyer's Line of Credit from banks are secured by hypothecation of Inventories and book debts , equivalent to the outstanding amount and are repayable within a year and carries interest at the rate of LIBOR plus 4bps to LIBOR plus 60bps (Previous Year LIBOR plus 15bps and LIBOR plus 25bps)

iv) Foreign Currency Loans repayable on demand availed by a foreign subsidiary are backed by way of Letter of Comfort from holding Company. The interest rate on the said loans range from 0.20% to 0.25% p.a above the ICE USD LIBOR. (Previous Year - 0.30% to 0.40% p.a above ICE USD LIBOR).

**g. Terms of Repayment and Security Description of Non-current Borrowings:**

i) ECB from The Bank of Tokyo - Mitsubishi UFJ, Ltd. availed in December 2011-USD 40 Million is secured by a first charge on Plant and Machinery situated at Puduchery Unit. Equivalent to the outstanding amount and interest is payable at a rate equal to the 6 months BBA LIBOR plus margin of 1.55% (Previous Year - 6 months BBA LIBOR plus margin of 1.55%) payable half-yearly. The said loan is fully hedged and is repayable in three equal annual instalments at the end of the fourth, fifth and sixth year beginning October 2015.This loan got fully repaid in the financial year 2017-18.

ii) The principal amount of Debentures, interest, remuneration to Debenture Trustees and all other costs, charges and expenses payable by the company in respect of Debentures are secured by way of a legal mortgage of Company's land at Taluka Kadi, District Mehsana, Gujarat and hypothecation by way of a first charge on Plant and Machinery at the company's plants at Perambalur, near Trichy, Tamil Nadu, equivalent to the outstanding amount.

The NCD's are to be redeemed at par in three instalments as stated below:

| Debenture Series | 10.09% NCD's (Previous year 10.09%) ₹ Crores | Dates of Redemption |
|---|---|---|
| Series I | 160.00 | 27/05/2019 |
| Series II | 160.00 | 27/05/2020 |
| Series III | 180.00 | 27/05/2021 |
| | 500.00 | |

iii) ECB(Unsecured) from the Bank of Tokyo- Mitsubishi UFJ, Ltd:

a) USD 15 Million availed in October, 2013 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.50%(Previous Year- six months USD LIBOR plus margin of 1.50%) payable half - yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning October, 2017.

b) USD 20 Million availed in May, 2015 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.00% (Previous Year-six months USD LIBOR plus margin of 1.00%) payable half - yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning May,2019.

iv) ECB(Unsecured) from the Mizuho Bank, Ltd:

a) USD 15 Million availed in January, 2014 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.50% (Previous Year- six months USD LIBOR plus margin of 1.50%) payable half - yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning January,2018.

b) USD 25 Million availed in February, 2015 is for capital expenditure. Interest is payable at a rate equal to the six months USD LIBOR plus margin of 1.00%(Previous Year- six months USD LIBOR plus margin of 1.00%) payable half - yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning February,2019.

v) ECB(Unsecured) from the CITI Bank availed in January,2015 amounting to USD 20 Million is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 1.30% (Previous Year- six months BBA LIBOR plus margin of 1.30%) payable half - yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning January,2019.

vi) ECB(Unsecured) from the HSBC Bank

a) USD 20 Million availed in October, 2015 is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 1.25% (Previous Year- six months BBA LIBOR plus margin of 1.25%) payable half - yearly. The said Loan is fully hedged and is repayable in three equal annual instalments at the end of fourth, fifth and sixth year beginning October, 2019.

b) USD 45 Million availed in December, 2017 is for capital expenditure. Interest is payable at a rate equal to the six months BBA LIBOR plus margin of 0.80% payable half - yearly (Previous Year- Not applicable). The said Loan is fully hedged and is repayable in one full instalment in December, 2022.

vii) Buyers Line of Credit (Unsecured) of USD 24.82 Million availed from CITI Bank for Capital Expenditure is repayable after 2 years and 364 days beginning in March 2017 at varied interest rates as applicable on different drawdown dates. The said Loan is fully hedged. This loan got fully repaid in the financial year 2017-18.

viii) Interest free Unsecured Loan availed under Sales tax Deferral Scheme is repayable yearly and to end on 1st April, 2019.

ix) Deferred payment credit is repayable along with interest (at varying rates) in 240 consecutive monthly instalments ending in March 2026.

x) Fixed Deposits are Unsecured and are repayable as per the terms with interest rate of 9.50%. (Previous year 8.50% to 9.50%).

h. Events Occuring after the Balance Sheet date

The proposed final dividend for financial year 2017-18 amounting to ₹ 22.90 Crores will be recognised as distribution to owners during the financial year 2018-19 on its approval by Shareholders. The proposed final dividend per share amounts to ₹ 54/-

i. Commitment:

Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for - ₹ 942.70 Crores (Previous year - ₹ 1086.57 Crores).

j. Contingent Liabilities not provided for:

(i) Guarantees given by the Banks - ₹ 37.56 Crores (Previous Year - ₹ 35.49 Crores).

(ii) Letters of Credit issued by the Banks - ₹ 97.69 Crores (Previous Year - ₹ 153.92 Crores).

(iii) Claims not acknowledged as debts:

(a) Disputed Sales Tax demands pending before the Appellate Authorities - ₹ 48.39 Crores (Previous Year- ₹ 36.65 Crores).

(b) Disputed Excise/Customs Duty demands pending before the Appellate Authorities/High Court - ₹ 98.23 Crores (Previous Year - ₹ 86.42 Crores).

(c) Disputed Income Tax Demands - ₹ 128.05 Crores (Previous Year - ₹ 79.46 Crores) Against the said demand the company has deposited an amount of ₹ 31.96 Crores (Previous Year - ₹ 15.98 Crores)

(d) Contested EPF Demands pending before Appellate Tribunal- ₹ 1.10 Crores ( Previous Year - ₹ 1.10 Crores)

k. The Group, except for MRF Corp Ltd, a subsidiary company, is engaged interalia in the manufacture of Rubber Products such as Tyres, Tubes, Flaps, Tread Rubber and Conveyor Belt. These in the context of IND AS 108 "Operating Segment" are considered to constitute one single primary segment. MRF Corp Ltd is engaged in the manufacture of Speciality Coatings and its revenues, results and assets do not meet the criteria specified for reportable segment prescribed in the Accounting Standard. The group's operations outside India do not exceed the quantitative threshold for disclosure envisaged in the Accounting Standard. Non-reportable segments have not been disclosed as unallocated reconciling item in view of their materiality. In view of the above, primary and secondary reporting disclosures for business/geographical segment are not applicable.

For SCA AND ASSOCIATES
Chartered Accountants
Firm Regn. No. 101174W

Shivratan Agarwal
Partner
Mem. No. 104180
Chennai, Dated 3rd May, 2018

For MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Firm Regn. No. 001939S

B R Mahesh
Partner
Mem. No. 18628

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

## FORM AOC-1

[Pursuant to first proviso to sub-section(3) of section 129 read with rule 5 of Companies(Accounts) Rules, 2014]

Statement containing salient features of the financial statements of subsidiaries/associate companies/joint ventures

## SUBSIDIARIES

₹ Crores

| Sr. No | Name of the Subsidiary | The Date since when subsidiary was acquired | Reporting Period of the Subsidiary | Reporting Currency | Exchange Rate as on 31.03.2018 | Share Capital | Reserves & Surplus | Total Assets | Total Liabilities | Investments | Turnover | Profit before Taxation | Provision for Taxation | Profit after Taxation | Proposed Dividend | Extent of Shareholding (in %) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | MRF Corp Ltd | 26.08.1985 | 1st April, 2017 to 31st March, 2018 | INR | 1 | 0.05 | 59.53 | 82.79 | 23.21 | 20.21 | 179.01 | 22.33 | 7.99 | 14.34 | 0.10* | 100% |
| 2 | MRF International Ltd. | 23.10.1992 | 1st April, 2017 to 31st March, 2018 | INR | 1 | 0.56 | 1.69 | 2.26 | 0.01 | - | 0.13 | 0.13 | 0.04 | 0.09 | - | 94.66% |
| 3 | MRF Lanka (P) Ltd. | 15.06.2005 | 1st April, 2017 to 31st March, 2018 | LKR | 0.42 | 15.01 | 6.91 | 22.80 | 0.88 | - | 10.84 | 0.98 | 0.24 | 0.74 | - | 100% |
| 4 | MRF SG Pte Ltd | 23.07.2014 | 1st April, 2017 to 31st March, 2018 | USD | 65.17 | 6.11 | 72.63 | 572.23 | 493.49 | - | 1316.60 | 31.85 | 3.14 | 28.71 | - | 100% |

* The Proposed Dividend is not recognised in the books as per IND AS.

Chennai, Dated 3rd May, 2018

MADHU P NAINAN
Vice President Finance

RAVI MANNATH
Company Secretary

JACOB KURIAN
V SRIDHAR
Directors

K M MAMMEN
Chairman & Managing Director

**MRF Limited**
No.114, Greams Road, Chennai - 600 006.
Tel: +91 44 28292777 Fax: +91 44 28295087
CIN: L25111TN1960PLC004306
E-mail: mrfshare@mrfmail.com Website: www.mrftyres.com