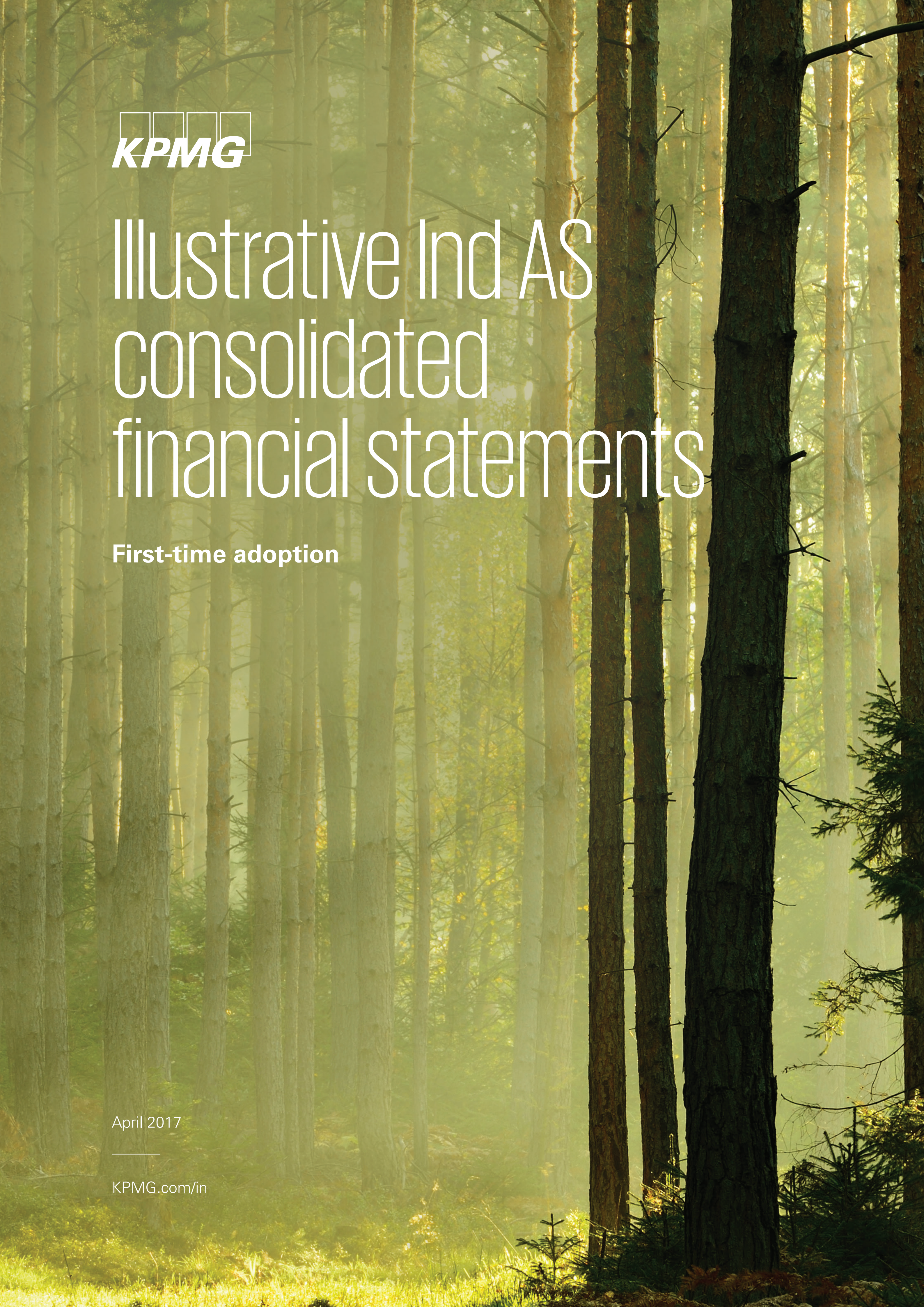

KPMG

Illustrative Ind AS consolidated financial statements

First-time adoption

April 2017

KPMG.com/in

Contents

About this publication

This publication is intended to help preparers in the preparation and presentation of consolidated financial statements in accordance with Indian Accounting Standards ('Ind AS') and Division II of Schedule III ('Sch III') to the Companies Act, 2013 by illustrating a format for consolidated financial statements for a hypothetical multinational company involved in general business. This company ('Classic Company (India) Limited') is a first-time adopter of Ind AS and accordingly Ind AS 101, *First-time Adoption of Indian Accounting Standards* has been applied in making the transition from previous GAAP to Ind AS.

Standards covered

This publication is based on standards that have been notified by the Ministry of Corporate Affairs, Government of India and that are required to be applied by a company, which is a first-time adopter of Ind AS, with an annual period beginning 1 April 2016.

This publication does not illustrate the requirements of Ind AS 104, *Insurance Contracts*, Ind AS 106, *Exploration for and Evaluation of Mineral Resources*, Ind AS 114, *Regulatory Deferral Accounts*, Ind AS 27, *Separate Financial Statements*, Ind AS 29, *Financial Reporting in Hyperinflationary Economies* and Ind AS 34, *Interim Financial Reporting.*

In the case of Ind AS 101, a number of implementation choices exist and only one possible combination is illustrated. The publication does not repeat all of the requirements of Ind AS 101 and should be read in conjunction with the standard.

These consolidated financial statements are meant for illustration purposes only. While these, together with the footnotes, attempt to provide a demonstration of Ind AS and Sch III requirements, they are not intended to serve as a complete and exhaustive summary of all presentation and disclosure requirements that are applicable under Ind AS/Sch III, since presentation and disclosures depend significantly on the nature of operations and specific conditions of the reporting entity.

For an overview of all disclosure requirements that are applicable under Ind AS, see our publication 'Ind AS Accounting and Disclosure Checklist'

These illustrative consolidated financial statements should not be used as a substitute for referring to the standards and other relevant interpretative guidance, particularly where a specific requirement is not addressed in this publication or where there is uncertainty regarding an interpretation.

When preparing its consolidated financial statements, a company should have regard to its legal and regulatory requirements. The requirements prescribed by a specific regulatory body, if any applicable, should be additionally considered.

These illustrative consolidated financial statements would need to be updated periodically as more authoritative guidance becomes available on complex issues arising from implementation of the standards, and as new/revised standards become applicable to later accounting periods.

Need for judgement

Although it is not exhaustive, this publication illustrates the disclosures required by Ind AS and Schedule III for a hypothetical company, largely without regard to materiality. The preparation and presentation of consolidated financial statements require the preparer to exercise judgment, in terms of the choice of accounting policies and their application, the ordering of notes, how the disclosures should be tailored to reflect the entity's specific circumstances, and the relevance of disclosures considering the needs of the users.

Materiality

Materiality is relevant to the presentation and disclosure of the items in the consolidated financial statements (see paragraphs 29-31 of Ind AS 1). Preparers need to ensure that the consolidated financial statements include all of the information that is relevant to understanding an entity's consolidated financial position on the reporting date and its consolidated financial performance during the reporting period.

Preparers also need to take care not to reduce the understandability of an entity's consolidated financial statements by obscuring material information with immaterial information or by aggregating material information that is different by nature or function. Preparers need to consider the appropriate level of disclosure based on materiality for the reporting period.

Illustrative nature of this publication

The hypothetical Group to which these illustrative financial statements pertain has been assumed to have different kinds of businesses in different geographies. In order to illustrate the different types of disclosures required in varied situations, this Group has been assumed to have undertaken a large variety of transactions. Due to the fact that the entire data has been assumed and is therefore hypothetical, a few individual items may not seem entirely realistic or demonstrate inter-relationships that would exist in real-life data. Similarly, some items may not be sufficiently material for separate presentation or disclosure in a real-life situation.

References and abbreviations

References to the relevant standard/Schedule III, which necessitate the disclosure, are included in the left-hand margin of this publication. For disclosure requirements of Schedule III, the references begin with "Sch III". For example, reference to Sch III.GI.D.I(a) means that the disclosure is required by sub clause (a) of clause D.I under the 'General Instructions for preparation of balance sheet' of the Schedule III to the Companies Act, 2013. Similarly, for disclosure requirements of Ind AS, the references begin with the number of the Ind AS. For example, Ind AS 17.31(b) means that the disclosure is required by paragraph 31(b) of Ind AS 17.

The footnotes to these illustrative consolidated financial statements contain notes for preparers of financial statements which should be specifically considered as per the facts and circumstances of the company.

Comments/feedback invited

The disclosure requirements of Ind AS are extensive. Besides, the requirements of Schedule III and other provisions of the Companies Act, 2013, have also to be complied with in preparation and presentation of financial statements. Many issues may arise as one adapts these illustrative financial statements to the specific facts and circumstances of a case. We request that consequent comments and feedback be sent to us.

We hope that these illustrative consolidated financial statements are found useful. For further assistance, please get in touch with your usual KPMG contact.

Consolidated financial statements

for the year ended 31 March 2017

Consolidated Balance Sheet

As at 31 March 2017

Ind AS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 51(c),113

In thousands of INR

Reference		Note	31 March 2017	31 March 2016	1 April 2015
	Assets				
Ind AS 1.60	**Non-current assets**				
Ind AS 1.54(a)	Property, plant and equipment	14	22,586	31,049	34,937
Sch III.I.1(b)	Capital work-in-progress	14	4,100	-	-
Ind AS 1.54(b)	Investment property	17	1,570	923	950
Sch III.I.1(d)	Goodwill	15	3,528	3,407	3,407
Sch III.I.1(e)	Other intangible assets	15	2,394	1,254	2,022
Sch III.I.1(g)	Biological assets other than bearer plants	16	7,014	8,716	8,070
Ind AS 1.54(e)	Equity accounted investees	18	2,025	1,558	1,140
Sch III.I.1(h)	Financial assets				
Ind AS 1.54(d)	Investments	20	3,515	3,394	3,102
Sch III.I.1(h)(ii)	Trade receivables	22A	213	-	-
Ind AS 1.55	Derivatives [1, 2]	22C	116	131	110
Ind AS 1.54(o), 56	Deferred tax assets	13	144	1,376	1,902
Ind AS 1.54(n)	Other tax assets [3, 4]		81	228	90
Ind AS 1.55	Employee benefits [4]	27	635	731	837
	Total non-current assets		**47,921**	**52,767**	**56,567**
Ind AS 1.60	**Current assets**				
Ind AS 1.54(g)	Inventories	21	12,867	12,119	12,716
Ind AS 1.54(f)	Biological assets other than bearer plants	16	245	140	402
Sch III.I.2(b)	Financial assets				
Ind AS 1.54(d)	Investments	20	243	568	396
Sch III.I.2(b)(ii)	Trade receivables	22A	23,616	17,967	16,285
Ind AS 1.54(i)	Cash and cash equivalents [5]	23	1,475	2,130	2,529
Sch III.I.2(b)(v)	Loans	22B	78	32	26
Ind AS 1.55	Derivatives [6]	22C	419	464	425
Ind AS 1.55	Prepayments [7]		831	1,312	780
			39,774	**34,732**	**33,559**
Ind AS 105.38, 1.54(j)	Disposal group – assets held for sale[7]	6	14,410	-	-
	Total current assets		**54,184**	**34,732**	**33,559**
	Total assets		**102,105**	**87,499**	**90,126**

Consolidated Balance Sheet (continued)

As at 31 March 2017

Ind AS 1.10(a), (ea)–(f), 38–38A, 40A–40B, 51(c), 113

In thousands of INR

Reference		Note	31 March 2017	31 March 2016	1 April 2015
	Equity and liabilities				
	Equity				
Ind AS 1.54(r), 78(e), Sch III.I	Equity share capital	*24A*	9,729	9,300	9,300
Sch III.I	Other equity [8]				
Ind AS 1.54(r), 55, 78(e)	Compulsorily convertible non-cumulative preference shares classified as equity	*24A*	5,250	5,250	5,250
Ind AS 1.54(r),55, 78(e)	Securities premium		4,773	3,500	3,500
Ind AS 1.54(r),55, 78(e)	Retained earnings		17,567	13,383	10,079
Ind AS 1.54(r), 78(e)	Others (including items of Other Comprehensive Income)		3,278	1,509	796
	Equity attributable to owners of the Company		**40,597**	**32,942**	**28,925**
Ind AS 1.54(q)	**Non-controlling interests**	*19*	1,130	842	601
	Total equity		**41,727**	**33,784**	**29,526**
	Liabilities				
Ind AS 1.60	**Non-current liabilities**				
Sch III.I.1(a)	Financial liabilities				
Sch III.I.1(a)(i)	Borrowings	*26*	20,942	19,206	23,478
Ind AS 1.55	Derivatives [9]	*31C*	20	5	-
Ind AS 1.55	Other financial liabilities	*31B*	270	-	-
Ind AS 1.54(l)	Provisions	*30*	1,819	453	1,064
Ind AS 1.54(o), 56	Deferred tax liabilities	*13*	2,269	1,395	1,436
Ind AS 1.55,20.24	Deferred income [10]	*29*	1,424	1,462	-
	Total non-current liabilities		**26,744**	**22,521**	**25,978**
Ind AS 1.60	**Current liabilities**				
Sch III.I.2(a)	Financial liabilities				
Ind AS 1.55	Bank overdraft	*23*	334	282	303
Ind AS 1.55	Other bank borrowings	*26*	500	117	1,000
Sch III.I.2(a)(ii)	Trade payables	*31A*	23,258	24,363	30,620
Ind AS 1.55	Derivatives [11]	*31C*	8	7	7
Ind AS 1.55	Other financial liabilities [11]	*31B*	4,113	4,269	1,017
Ind AS 1.55,20.24	Deferred income [12]	*29*	178	168	203
Ind AS 1.54(l)	Provisions	*30*	833	1,988	1,472
			29,224	**31,194**	**34,622**
Ind AS 105.38, 1.54(p)	Disposal group – liabilities directly associated with assets held for sale	*6*	4,410	-	-
Ind AS 1.60	**Total current liabilities**		**33,634**	**31,194**	**34,622**
	Total liabilities		**60,378**	**53,715**	**60,600**
	Total equity and liabilities		**102,105**	**87,499**	**90,126**

The notes on pages 20 to 215 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet (continued)

As at 31 March 2017

Explanatory notes to the Consolidated Balance Sheet

1. In our view, derivative assets and liabilities should be presented in separate line items in balance sheet if they are significant. If they are not significant, then they may be included in other financial assets and other financial liabilities, respectively, with additional details disclosed in the notes to the financial statements.

2. Schedule III requires disclosure of "others (to be specified)" after investments, trade receivables and loans under the head 'financial assets'. In our view, where a financial asset (other than investments, trade receivables and loans) is such that its separate presentation on the face of the balance sheet is relevant to an understanding of the company's financial position, it should be so presented separately. Other financial assets which do not warrant such separate presentation on the face of the balance sheet may be clubbed together and presented as a single line item of 'others' on the face, with break-up of significant items being given in a note. In these illustrative financial statements, it is assumed that the 'other' category of non-current financial assets comprises 'derivatives' only.

3. Where offsetting criteria are met and there is net current tax liability, it should be disclosed separately after provisions under 'current liabilities'. Current year advance tax, net of provision for current tax liability (as well as past years' advance taxes, net of related current tax provisions) will be classified as non-current if it is not expected to be realised within 12 months from the reporting date or in the normal operating cycle of the company.

4. After disclosure of specified items of non-current assets, Schedule III requires disclosure of 'other non-current assets'. The observations in note 2 above apply mutatis mutandis to 'other non-current assets' also. In these illustrative financial statements, it is assumed that this residuary category comprises 'other tax assets' and 'employee benefits' only.

5. Bank balances which do not meet the definition of cash and cash equivalents are required to be disclosed separately after 'cash and cash equivalents'.

6. Schedule III requires disclosure of 'others (to be specified)' after disclosure of specified types of financial assets. The observations in note 2 above apply mutatis mutandis in this respect also. In these illustrative financial statements, it is assumed that this residuary category of financial assets comprises derivatives only. It may be mentioned that in case there are receivables other than trade receivables, these should also be disclosed similarly.

7. After disclosure of specified types of current assets, Schedule III requires disclosure of 'other current assets'. The observations in note 2 above apply mutatis mutandis in this respect also. In these illustrative financial statements, it is assumed that 'other current assets' comprise 'prepayments' and 'disposal group - assets held for sale' only.

8. As per Schedule III, the minimum disclosure requirement is to show (a) equity share capital and (b) other equity. However, considering their materiality, a further classification of some of the items of other equity has been given. Alternatively, this classification could have been shown only in Statement of Changes in Equity.

9. Under non-current 'financial liabilities', after disclosure of borrowings and trade payables, Schedule III requires disclosure of 'other financial liabilities'. The observations in note 2 above apply mutatis mutandis in this respect also. Accordingly, derivative liabilities are presented in separate line items in balance sheet if they are significant; otherwise they are included in other financial liabilities. Additional details should be disclosed in the notes to the financial statements.

10. Under 'non-current liabilities', after disclosure of specified kinds of liabilities, Schedule III requires disclosure of 'other non-current liabilities'. The observations in note 2 above apply mutatis mutandis in this respect also. In these illustrative financial statements, it is assumed that 'other non-current liabilities' comprise deferred income only.

11. Under 'financial liabilities' under the major head 'current liabilities', Schedule III requires disclosure of 'borrowings', 'trade payables' and 'other financial liabilities' (other than items included under 'provisions'). The observations in note 2 above apply mutatis mutandis in this respect also.

12. Under 'current liabilities', after disclosure of financial liabilities, Schedule III requires disclosure of 'other current liabilities'. The observations in note 2 above apply mutatis mutandis in this respect also. In these illustrative financial statements, it is assumed that 'other current liabilities' comprise deferred income only.

Consolidated Statement of Profit and Loss

For the year ended 31 March 2017

Ind AS 1.10(b), (ea), 10A, 38A, 81A, 101.6

In thousands of INR

Reference		Note	Year ended 31 March 2017	Year ended 31 March 2016
	Continuing operations [1]			
Ind AS 1.82(a)	Revenue from operations	*8*	100,398	96,636
Ind AS 1.102	Other income	*9*	2,275	705
	Total income		**102,673**	**97,341**
	Expenses [2]			
Ind AS 1.102, 2.36(d)	Cost of materials consumed [3]	*10A*	43,716	43,208
Ind AS 1.102	Changes in inventory of finished goods and work-in-progress [4]	*10B*	(1,641)	1,290
Ind AS 1.85	Excise duty		3,420	3,129
Ind AS 1.102	Employee benefits expense	*11*	22,342	19,606
Ind AS 1.82(b)	Finance costs	*12*	1,566	1,592
Ind AS 1.102	Depreciation and amortisation expense	*10C*	5,839	5,944
Ind AS 1.102	Other expenses	*10D*	19,525	16,980
Ind AS 1.102	**Total expenses**		**94,767**	**91,749**
Ind AS 1.85	**Profit from continuing operations before share of profit of equity accounted investees and income tax** [5]		**7,906**	**5,592**
Ind AS 1.82(c)	Share of profit of equity accounted investees (net of income tax)	*18*	467	587
Ind AS 1.85	**Profit from continuing operations before income tax**		**8,373**	**6,179**
Ind AS 12.77, 99	Current tax		(242)	(1,191)
Ind AS 12.77, 99	Deferred tax		(2,286)	(609)
Ind AS 1.82(d), 12.77	Income tax expense [6]	*13*	(2,528)	(1,800)
Ind AS 1.85	**Profit from continuing operations**		**5,845**	**4,379**

Consolidated Statement of Profit and Loss (continued)

For the year ended 31 March 2017

In thousands of INR

Reference		Note	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 105.33(a),	**Discontinued operation**			
Ind AS 105.33(b)	Profit (loss) from discontinued operation	*5*	684	(466)
Sch III.II.XI	Tax expense of discontinued operation		(305)	44
	Profit (loss) from discontinued operations (after tax)		**379**	**(422)**
Ind AS 1.81A(a)	**Profit for the year**		**6,224**	**3,957**
Ind AS 1.81A(b)	**Other comprehensive income**			
Ind AS 1.82A(a)	**Items that will not be reclassified subsequently to profit or loss**			
Ind AS 1.96	Remeasurements of defined benefit liability (asset)	*27*	133	134
	Equity investments through other comprehensive income - net change in fair value		199	94
Sch III.II.XIV.A(ii)	Income tax relating to items that will not be reclassified to profit or loss	*13*	(110)	(75)
	Net other comprehensive income not to be reclassified subsequently to profit or loss		**222**	**153**
Ind AS 1.82A(b)	**Items that will be reclassified subsequently to profit or loss**			
Ind AS 21.52(b)	Exchange differences in translating financial statements of foreign operations		501	330
Ind AS 1.92	Net loss on hedge of net investment in foreign operation		(3)	(8)
Ind AS 1.92	Effective portion of gains (losses) on hedging instruments in cash flow hedges		(62)	78
Ind AS 1.92	Effective portion of gains losses) on hedging instruments in cash flow hedges reclassified to profit or loss [7]		(31)	(11)
Ind AS 1.92	Debt instruments through other comprehensive income - net change in fair value		55	126
Ind AS 1.92	Debt instruments through other comprehensive income - change in fair value reclassified to profit or loss [7]		(64)	(32)
Ind AS 1.85	Cost of hedging - changes in fair value		(34)	(10)
Ind AS 1.92	Cost of hedging - change in fair value reclassified to profit or loss [7]		(8)	(2)
Sch III. II.XIV.B(ii)	Income-tax relating to items that will be reclassified to profit or loss	*13*	48	(49)
	Net other comprehensive income to be reclassified subsequently to profit or loss		**402**	**422**
Ind AS 1.81A(b)	**Other comprehensive income for the year, net of income tax**		**624**	**575**
Ind AS 1.81A(c)	**Total comprehensive income for the year**		**6,848**	**4,532**

Consolidated Statement of Profit and Loss (continued)

For the year ended 31 March 2017

In thousands of INR

Reference		Note	Year ended 31 March 2017	Year ended 31 March 2016
	Profit attributable to:			
Ind AS 1.81B(a)(ii)	Owners of the Company		5,848	3,738
Ind AS 1.81B(a)(i)	Non-controlling interests	*19*	376	219
	Profit for the year		**6,224**	**3,957**
Sch III.III.1(i)	**Other comprehensive income attributable to:**			
	Owners of the Company		597	553
	Non-controlling interests	*19*	27	22
	Other comprehensive income for the year		**624**	**575**
	Total comprehensive income attributable to:			
Ind AS 1.81B(b)(ii)	Owners of the Company		6,445	4,291
Ind AS 1.81B(b)(i)	Non-controlling interests	*19*	403	241
	Total comprehensive income for the year		**6,848**	**4,532**
Sch III.II.XVI	**Earnings per share - continuing operations**			
Ind AS 33.66	Basic earnings per share (INR)	*25(A)*	**1.12**	**0.86**
Ind AS 33.66	Diluted earnings per share (INR)	*25(B)*	**1.08**	**0.85**
Sch III.II.XVII	**Earnings per share - discontinued operation**			
	Basic earnings per share (INR)	*25(A)*	**0.08**	**(0.09)**
	Diluted earnings per share (INR)	*25(B)*	**0.07**	**(0.08)**
Sch III.II.XVIII	**Earnings per share- continuing and discontinued operations**			
Ind AS 33.66	Basic earnings per share (INR)	*25(A)*	**1.20**	**0.77**
Ind AS 33.66	Diluted earnings per share (INR)	*25(B)*	**1.15**	**0.77**

The notes on pages 20 to 215 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit and Loss (continued)

For the year ended 31 March 2017

Explanatory notes to the Consolidated Statement of Profit and Loss

1. In case there is no discontinued operation, this heading may not be given.
2. Schedule III and Ind AS 1, *Presentation of Financial Statements* require classification of expenses based on their nature. However, a company can, on a voluntary basis, additionally present the functional classification in the notes.
3. In case a company carries on trading operations also, it is required to show 'purchases of stock-in-trade' after 'cost of materials consumed'.
4. In case a company carries on trading operations also, this item is re-worded as 'changes in inventories of finished goods, stock-in-trade and work-in-progress'.
5. In these illustrative financial statements, it is assumed that there is no exceptional item. In case there is an exceptional item, this line item may be described as 'Profit before exceptional item, income-tax and share in profit of equity-accounted investees'. The exceptional item should be presented thereafter and then a figure of 'profit before income-tax and share in profit of equity-accounted investees' should be shown. The description should include the nature of the item (e.g. exceptional impairment loss on property affected by earthquake) and the notes to the financial statements should include an additional explanation of the nature of the amount and its characterisation as exceptional. The nature and amounts of material items are disclosed as in separate line items in the statement of profit and loss or in the notes. No items of income or expense can be presented as "extraordinary".
6. In case a company is covered by Section 115JB of the Income-tax Act, 1961 and a MAT credit entitlement (i.e. excess of amount of MAT paid for a year over normal tax liability for that year) is recognised as an asset in accordance with Ind AS 12, *Income taxes* a possible presentation of current tax and deferred tax in the Statement of Profit and Loss could be as below:
   Current tax: MAT for the year
   Deferred tax (including MAT credit entitlement)

Ind AS 1.94

7. The Group has elected to present reclassification adjustments in the statement of profit and loss. Alternatively, an entity may present these adjustments in the notes with only the aggregate being given here.

Ind AS 1.10(c), 106

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

In thousands of INR

Sch III.I.SOCIE

		Note	
a.	**Equity share capital**		
	Balance as at 1 April 2015		9,300
	Changes in equity share capital during 2015-16	*24A*	-
	Balance as at the 31 March 2016		**9,300**
	Changes in equity share capital during 2016-17	*24A*	429
	Balance as at 31 March 2017		**9,729**

Consolidated Statement of Changes in Equity for the year ended 31 March 2017 (continued)

b. Other equity

In thousands of INR

			Attributable to owners of the Company											Attributable to NCI	Total
			Compulsorily convertible non-cumulative preference shares	Equity component of convertible debentures	Reserves and surplus			Items of OCI					Total attributable to owners of the Company		
Ind AS 1.10(c), 108, 113		*Note*			Securities premium	Other reserves (see Note 24B)	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Equity instruments through OCI	Debt instruments through OCI	Other items of OCI			
	Balance at 1 April 2015		5,250	-	3,500	310	10,079	-	434	17	-	35	19,625	601	20,226
	Total comprehensive income for the year ended 31 March 2016														
Ind AS 1.106(d)(i)	Profit or loss		-	-	-	-	3,738	-	-	-	-	-	3,738	219	3,957
Ind AS 1.106(d)(ii),106A	Other comprehensive income(net of tax)	*24C*	-	-	-	-	-	300	44	64	64	81	553	22	575
Ind AS 1.106(a)	**Total comprehensive income**		**-**	**-**	**-**	**-**	**3,738**	**300**	**44**	**64**	**64**	**81**	**4,291**	**241**	**4,532**
	Transferred to retained earnings	*24C*	-	-	-	-	90	-	-	-	-	(90)	-	-	-
Ind AS 1.106(d)(iii)	**Transactions with owners, recorded directly in equity**														
	Contributions by and distributions to owners														
	Dividends	*24B*	-	-	-	-	(447)	-	-	-	-	-	(447)	-	(447)
	Dividend distribution tax	*24B*	-	-	-	-	(77)	-	-	-	-	-	(77)	-	(77)
Sch III.I.GI.D.II.(i)	Share-based payment	*28*	-	-	-	250	-	-	-	-	-	-	250	-	250
	Share options exercised	*28*	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total contributions by and distributions to owners		**-**	**-**	**-**	**250**	**(524)**	**-**	**-**	**-**	**-**	**-**	**(274)**	**-**	**(274)**
Ind AS 1.106(d)(iii)	**Changes in ownership interests in subsidiaries that do not result in loss of control**														
	Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-
	Total changes in ownership interests in subsidiaries	*7*	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total transactions with owners		**-**	**-**	**-**	**250**	**(524)**	**-**	**-**	**-**	**-**	**-**	**(274)**	**-**	**(274)**
	Balance at 31 March 2016		**5,250**	**-**	**3,500**	**560**	**13,383**	**300**	**478**	**81**	**64**	**26**	**23,642**	**842**	**24,484**

Consolidated Statement of Changes in Equity for the year ended 31 March 2017 (continued)

In thousands of INR

b. Other equity (continued)

			Attributable to owners of the Company											Attributable to NCI	Total
					Reserves and surplus			Items of OCI							
Ind AS 1.10(c), 108, 113		*Note*	Compulsorily convertible non-cumulative preference shares	Equity component of convertible debentures	Securities premium	Other reserves (see Note 24B)	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Equity instruments through OCI	Debt instruments through OCI	Other items of OCI	Total attributable to owners of the Company		
	Balance at 1 April 2016		5,250	-	3,500	560	13,383	300	478	81	64	26	23,642	842	24,484
	Total comprehensive income for the year ended 31 March 2017														
Ind AS 1.106(d)(i)	Profit or loss		-	-	-	-	5,848	-	-	-	-	-	5,848	376	6,224
Ind AS 1.106(d)(ii),106A	Other comprehensive income(net of tax)	*24C*	-	-	-	-	-	471	(62)	133	(7)	62	597	27	624
Ind AS 1.106(a)	**Total comprehensive income**		**-**	**-**	**-**	**-**	**5,848**	**471**	**(62)**	**133**	**(7)**	**62**	**6,445**	**403**	**6,848**
	Transferred to retained earnings	*24C*	-	-	-	-	89	-	-	-	-	(89)	-	-	-
	Hedging gains and losses and costs of hedging transferred to the cost of inventory		-	-	-	-	-	-	(8)	-	-	(4)	(12)	-	(12)
	Transfer to debenture redemption reserve	*24B*	-	-	-	417	(417)	-	-	-	-	-	-	-	-
Ind AS 1.106(d)(iii)	**Transactions with owners, recorded directly in equity**														
	Contributions by and distributions to owners														
	Issue of equity shares pursuant to business combination	*7*	-	-	63	-	-	-	-	-	-	-	63	-	63
	Issue of equity shares for cash	*24A*	-	-	1,160	-	-	-	-	-	-	-	1,160	-	1,160
	Equity component of convertible debentures issued, net of tax		-	109	-	-	-	-	-	-	-	-	109	-	109
	Dividends	*24B*	-	-	-	-	(1,060)	-	-	-	-	-	(1,060)	-	(1,060)
	Dividend distribution tax	*24B*	-	-	-	-	(183)	-	-	-	-	-	(183)	-	(183)
Sch III.I.GI.D.II.(i)	Share-based payment	*28*	-	-	-	755	-	-	-	-	-	-	755	-	755
Sch III.I.GI.D.II.(i)	Share options exercised	*28*	-	-	50	(15)	-	-	-	-	-	-	35	-	35
	Total contributions by and distributions to owners		**-**	**109**	**1,273**	**740**	**(1,243)**	**-**	**-**	**-**	**-**	**-**	**879**	**-**	**879**

Consolidated Statement of Changes in Equity for the year ended 31 March 2017 (continued)

In thousands of INR

b. Other equity (continued)

Ind AS 1.10(c), 108, 113

Ind AS 1.106(d)(iii)

		Attributable to owners of the Company											Attributable to NCI	Total
				Reserves and surplus			Items of OCI							
	Note	Compulsorily convertible non-cumulative preference shares	Equity component of convertible debentures	Securities premium	Other reserves (see Note 24B)	Retained earnings	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Equity instruments through OCI	Debt instruments through OCI	Other items of OCI	Total attributable to owners of the Company		
Total contributions by and distributions to owners		**-**	**109**	**1,273**	**740**	**(1,243)**	**-**	**-**	**-**	**-**	**-**	**879**	**-**	**879**
Changes in ownership interests in subsidiaries that do not result in loss of control														
Acquisition of non-controlling interests	*7*	-	-	-	-	(93)	8	-	-	-	-	(85)	(115)	(200)
Total changes in ownership interests in subsidiaries		**-**	**-**	**-**	**-**	**(93)**	**8**	**-**	**-**	**-**	**-**	**(85)**	**(115)**	**(200)**
Total transactions with owners		**-**	**109**	**1,273**	**740**	**(1,336)**	**8**	**-**	**-**	**-**	**-**	**794**	**(115)**	**679**
Balance at 31 March 2017		**5,250**	**109**	**4,773**	**1,717**	**17,567**	**779**	**408**	**214**	**57**	**(5)**	**30,868**	**1,130**	**31,998**

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

In thousands of INR

Reference		Note	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 1.10(d), 38-38A,51(c) 113 Ind AS 7.10				
Ind AS 7.18(b)	**Cash flows from operating activities**			
	Profit for the year [1]		6,224	3,957
Ind AS 7.20(b)	Adjustments for:			
	Depreciation and amortisation	*10C*	5,839	5,944
	(Reversal of)/ impairment loss on property, plant and equipment and intangible assets	*15B*	(377)	1,408
	Impairment losses on disposal group held for sale	*6A*	25	-
	Change in fair value of biological assets	*16A*	(661)	(65)
	Finance costs	*12*	1,566	1,592
	Share of profit of equity accounted investees	*18*	(467)	(587)
	Gain on sale of property, plant and equipment	*9*	(26)	(100)
	Gain on sale of discontinued operation, net of tax	*5*	(516)	-
	Equity-settled share-based payments	*11*	755	250
	Impairment loss on financial assets	*10D*	213	247
	Change in fair value of investments	*9*	(514)	(211)
	Dividend income on equity securities	*9*	(26)	(32)
	Gain on derecognition of corporate debt securities at FVOCI – reclassified from OCI	*9*	(64)	(32)
	Gain on sale of investments (net)	*9*	(68)	(53)
	Interest income	*9*	(208)	(151)
	Re-measurement to fair value of existing equity interest in acquiree in business combination	*9*	(250)	-
	Cash flow hedges-gain reclassified from OCI	*9*	(31)	(11)
	Financial assets mandatorily measured at FVTPL-net change in fair value	*10D*	-	19
	Cash flow hedges-ineffective portion of changes in fair value	*10D*	13	9
	Net investment hedges-ineffective portion of changes in fair value	*10D*	1	-
	Change in fair value of contingent consideration	*10D,32*	20	-
	Income tax expense	*13*	2,503	1,756
			13,951	**13,940**
Ind AS 7.20(a)	Working capital adjustments:			
	(Increase) decrease in inventories		(511)	2,206
	(Increase) in trade receivables and loans		(12,921)	(1,450)
	Decrease (increase)/ in prepayments		481	(532)
	Increase (decrease) in trade payables and other financial liabilities		5,153	(2,450)
	Increase in provisions		299	320
	Decrease in deferred income		(28)	-
	Cash generated from operating activities		6,424	12,034
Ind AS 7.35	Income tax paid (net)		(400)	(1,400)
	Net cash from operating activities (A)		**6,024**	**10,634**

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2017

In thousands of INR

Reference		Note	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 7.21	**Cash flows from investing activities**			
Ind AS 7.31	Interest received		208	151
Ind AS 7.31	Dividends received		26	32
Ind AS 7.16(b)	Proceeds from sale of property, plant and equipment		1,177	481
Ind AS 7.21	Proceeds from sale of investments		987	849
Ind AS 7.39	Disposal of discontinued operation, net of cash and cash equivalents disposed of [2]	5	10,890	-
Ind AS 7.39	Acquisition of subsidiary, net of cash and cash equivalents acquired	7	(2,125)	-
Ind AS 7.16(a)	Acquisition of property, plant and equipment	14A	(15,857)	(2,408)
Ind AS 7.16(a)	Acquisition of investment property	17A	(200)	-
Ind AS 7.21	Purchase of non-current biological assets	16A	(305)	(437)
Ind AS 7.16(a)	Acquisition of other investments		(319)	(2,411)
Ind AS 7.21	Expenditure on internally generated intangible assets	15A, C	(1,235)	(495)
Ind AS 7.10	**Net cash used in investing activities (B)**		**(6,753)**	**(4,238)**
Ind AS 7.21	**Cash flows from financing activities**			
Ind AS 7.17(a)	Proceeds from issue of equity share capital	24A	1,550	-
Ind AS 7.17(c)	Proceeds from issue of convertible debentures	26D	5,000	-
Ind AS 7.17(c)	Proceeds from issue of redeemable preference shares	24A	2,000	-
Ind AS 7.21	Proceeds from exercise of share options	24A	50	-
Ind AS 7.16(h)	Proceeds from settlement of derivatives		5	11
Ind AS 7.21	Payment of transaction costs related to borrowings		(311)	-
Ind AS 7.31-32	Interest paid [3]		(1,431)	(1,530)
Ind AS 7.42A	Acquisition of non-controlling interests	19	(200)	-
Ind AS 7.17(d)	Repayment of borrowings		(5,132)	(4,492)
Ind AS 7.17(e)	Payment of finance lease obligations		(254)	(214)
Ind AS 7.31,34	Dividends paid (and related dividend distribution tax)	24B	(1,243)	(524)
Ind AS 7.10	**Net cash flow from (used in) financing activities (C)**		**34**	**(6,749)**
	Net decrease in cash and cash equivalents (A+B+C)		(695)	(353)
	Cash and cash equivalents at 1 April*		1,848	2,226
Ind AS 7.28	Effect of exchange rate fluctuations on cash held		(12)	(25)
	Cash and cash equivalents at 31 March*	23	1,141	1,848

Ind AS 7.8,45 — *Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2017

Ind AS 105.33(c)

Explanatory notes to the Consolidated Statement of Cash flows

1. The Group has used profit or loss after tax as the starting point for presenting operating cash flows using the indirect method. In our view, the statement can also be prepared with profit or loss before tax as the starting point.
2. The Group has presented a Statement of Cash Flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5(B). However, in our view, cash flows from discontinued operations may also be presented in other ways.
3. In our view, an entity should choose an accounting policy, to be applied consistently, to classify cash flows related to capitalised interest as follows:

   – as cash flows from investing activities if the other cash payments to acquire the qualifying asset are reflected as investing activities; or

   – consistently with interest cash flows that are not capitalised (which has been applied by the Group).

Notes to consolidated financial statements

for the year ended 31 March 2017

Ind AS 1.10(e)

Notes to the consolidated financial statements[1]

1. Reporting entity

Ind AS 1.51(a)-(b), 138(a), (b)

Classic Company (India) Limited (the 'Company') is a company domiciled in India, with its registered office situated at [address]. The Company has been incorporated under the provisions of Indian Companies Act and its equity shares are listed on the National Stock Exchange (NSE) in India. These consolidated financial statements comprise the Company and its subsidiaries (referred to collectively as the 'Group') and the Group's interest in associates and joint ventures. The Group is primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood (see Note 4).

Ind AS 1.112(a)

2. Basis of preparation

Ind AS 1.16

A. Statement of compliance

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

Ind AS 101.23, 27

The Group's consolidated financial statements up to and for the year ended 31 March 2016 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act.

As these are the Group's first consolidated financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, *First-time Adoption of Indian Accounting Standards* has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Group is provided in Note 39.

Ind AS 10.17

The consolidated financial statements were authorised for issue by the Company's Board of Directors on [date].

Details of the Group's accounting policies are included in Note 3.

B. Functional and presentation currency

Ind AS 1.51(d), (e)

These consolidated financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest thousands, unless otherwise indicated.

[1] Notes are presented in a systematic order and are cross-referred to/from items in the primary statements. Ind AS 1, Presentation of Financial Statements provides an order in which entities normally present notes. However, the standard also indicates that depending on the circumstances, it may be necessary or desirable to vary the order. The standard also states, that the notes providing information about the basis of preparation and specific accounting policies may be presented as a separate section of the financial statements. The Group has applied its judgement in presenting related information together in cohesive sections. It has also presented the notes sorted from most to least important, as viewed by management. The order presented is only illustrative and entities need to tailor the organisation of the notes to fit their specific circumstances.

Notes to the consolidated financial statements (continued)

2. Basis of preparation (continued)

Ind AS 1.117(a)

C. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivatives instruments)	Fair value
Contingent consideration in business combination	Fair value
Biological assets	Fair value less costs to sell
Liabilities for cash-settled share-based payment arrangements	Fair value
Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

D. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

Ind AS 1.122

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 8 – commission revenue: whether the Group acts as an agent rather than as a principal in a transaction:
- Note 26(F) – leases: whether an arrangement contains a lease;
- Note 33 – lease classification; and
- Note 36 – consolidation: whether the Group has de facto control over an investee.

Assumptions and estimation uncertainties

Ind AS 1.125, 129

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is included in the following notes:

- Note 15 – impairment test of non-financial assets: key assumptions underlying recoverable amounts including the recoverability of expenditure on internally- generated intangible assets;
- Note 16 – determining the fair value of biological assets on the basis of significant unobservable inputs;
- Note 6 – determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 13 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 27 – measurement of defined benefit obligations: key actuarial assumptions;
- Notes 30 and 34 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 7 – acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis; and
- Note 32 – impairment of financial assets.

Notes to the consolidated financial statements (continued)

2. Basis of preparation (continued)

E. Measurement of fair values

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

Ind AS 113.93(g)

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Ind AS 113.95

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 28(B) – share-based payment;[1]
- Note 16(B) – biological assets;
- Note 6(C) – disposal group held for sale;
- Note 17 (B) – investment property;
- Note 32(B) – financial instruments; and
- Note 7(C) – acquisition of subsidiary[2].

Ind AS 113.6(a)

[1] The Group has included in the list above a reference to the disclosures about the measurement of fair values for share-based payment arrangements. However, the measurement and disclosure requirements of Ind AS 113, *Fair Value Measurement* do not apply to these arrangements.

[2] The Group has disclosed information about the fair value measurement of assets acquired in a business combination, although the disclosure requirements of Ind AS 113 do not apply to the fair value of these assets if they are subsequently measured at other than fair value. **This disclosure is voluntary and is provided only for illustrative purposes.**

Notes to the consolidated financial statements (continued)

3. Significant accounting polices

a. Basis of consolidation

i. Business combinations

Business combinations[1] (other than common control business combinations) on or after 1 April 2014

Ind AS 103.4, 32, 34, 36, 36A, 48, 53

As part of its transition to Ind AS, the Group has elected to apply the relevant Ind AS, viz. Ind AS 103, *Business Combinations*, to only those business combinations that occurred on or after 1 April 2014. In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisition method when control is transferred to the Group (see Note 3 (a)(ii)). The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment (see Note 3 (k)(ii)). Any gain on a bargain purchase is recognised in OCI and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities (see Note 3(c)).

Ind AS 103.B52

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in profit or loss.

Ind AS 103.40, 58

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in profit or loss.

Ind AS 103. 30, B57-61

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. The determination of the amount to be included in consideration transferred is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service

Ind AS 103.42

If a business combination is achieved in stages, any previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Business combinations prior to 1 April 2014

In respect of such business combinations, goodwill represents the amount recognised under the Group's previous accounting framework under Indian GAAP adjusted for the reclassification of certain intangibles.

[1] In these illustrative financial statements, it is assumed that there is no 'common control business combination'. In case there is a common control business combination, accounting policy for such a combination should also be given. The accounting policy may be along the following lines:
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at their carrying amounts. The identity of the reserves is preserved and they appear in the consolidated financial statements of the Group in the same form in which they appeared in the financial statements of the acquired entity. The difference, if any, between the consideration and the amount of share capital of the acquired entity is transferred to capital reserve.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

a. Basis of consolidation (continued)

ii. Subsidiaries

Ind AS 110.6, 20

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests (NCI)

Ind AS 103.19

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition[1].

Ind AS 110.23, B96

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of control

Ind AS 110.25, B98-99

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

v. Equity accounted investees [2]

The Group's interests in equity accounted investees comprise interests in associates and joint ventures.

Ind AS 111.15-16, Ind AS 28.31

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Ind AS 28.38-39

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity-accounted investees until the date on which significant influence or joint control ceases.

vi. Transactions eliminated on consolidation

Ind AS 110.B86(c), Ind AS 28.28

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee[3]. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Ind AS 103.19

[1] An entity has a choice on a combination-by-combination basis to measure any NCI that represents present ownership interest in the acquiree at either fair value or the proportionate share of the acquiree's net identifiable assets. In respect of business combinations effected so far, the Group has elected the former approach.

[2] Although it is not illustrated, an entity's equity accounted investee may have accounting policies for items that do not apply to the investor (e.g. policy relating to share based payments where none of the group entities has a share-based payment arrangement). In our view, such accounting policies should be included in the accounting policy note for equity accounted investees if their disclosure is necessary for an understanding of income from or the carrying amount of equity accounted investees.

[3] In the absence of specific guidance in Ind AS, the Group has eliminated unrealised gains and losses resulting from transactions with equity accounted investees against the investment in the investees.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

b. Foreign currency

i. Foreign currency transactions

Ind AS 21.21

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Ind AS 21.23
Ind AS 109.B5.7.3, 6.5.11, 6.5.13

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI[1]:

- equity investments at fair value through OCI (FVOCI);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign operations

Ind AS 21.39

The assets and liabilities of foreign operations (subsidiaries, associates, joint arrangements, branches) including goodwill and fair value adjustments arising on acquisition, are translated into INR, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Ind AS 110.B94,
Ind AS 21.41
Ind AS 101.D13

In accordance with Ind AS 101, the Group has elected to deem foreign currency translation differences that arose prior to the date of transition to Ind AS, i.e. 1 April 2015, in respect of all foreign operations to be nil at the date of transition. From 1 April 2015 onwards, such exchange differences are recognised in OCI and accumulated in equity (as exchange differences on translating the financial statements of a foreign operation), except to the extent that the exchange differences are allocated to NCI.

Ind AS 21.48-48D

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation recognised in OCI is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-allocated to NCI. When the Group disposes of only a part of its interest in an associate or a joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

iii. Hedge of a net investment in a foreign operation

The Group applies hedge accounting to exchange differences arising between the functional currency of the foreign operation and the Company's functional currency (INR).

Ind AS 109.6.5.14

To the extent that the hedge is effective, exchange differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in OCI and accumulated under other equity. Any remaining differences are recognised in profit or loss.

[1] Under previous GAAP, paragraph 46/46A of AS 11, *The Effects of Changes in Foreign Exchange Rates*, provided an alternative accounting treatment to companies with respect to exchange differences arising on restatement of long-term foreign currency monetary items. Exchange differences in respect of such items related to acquisition of depreciable assets could be added to/ deducted from the cost of the depreciable asset, which would then be depreciated over the balance life of the asset. In other cases, the exchange difference could be accumulated in a foreign currency monetary item translation difference account, and amortised over the balance period of such long term monetary item. Ind AS 101 includes an optional exemption that allows a first-time adopter to continue the above accounting treatment in respect of the long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period. In these Illustrative Financial Statements, it has been assumed that the Company did not opt for paragraph 46/46A of AS 11 under the previous GAAP.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

b. Foreign currency (continued)

iii. Hedge of a net investment in a foreign operation (continued)

When the hedged net investment is disposed of, the relevant amount is transferred to profit or loss as part of the gain or loss on disposal.

c. Financial instruments

i. Recognition and initial measurement

Ind AS109 .3.1.1

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Ind AS 109. 5.1.1, 5.1.3

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Financial assets

Ind AS 109 .4.1.1

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVOCI – debt investment;
- FVOCI – equity investment; or
- FVTPL

Ind AS 109 .4.4.1

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

Ind AS 109 .4.1.2

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets 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.

Ind AS 109 .4.1.2A

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– the 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.

Ind AS 109 .4.1.4

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment- by- investment basis.

Ind AS 109 .4.1.5

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

c. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Business model assessment

Ind AS 109 .B4.1.2

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

Ind AS 109 B4.1.2B, B4.1.2C, B4.1.4.A, B4.1.5

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets[1].

Ind AS 109.B4.1.6

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

Ind AS 109.4.1.3, B4.1.7A–B, B4.1.9A–B4.1.9E

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non- recourse features).

[1] Ind AS 109, *Financial Instruments*, does not provide specific guidance for business model assessment related to portfolios of financial assets for which the entity's objectives include transfers of financial assets to third parties in transactions that do not qualify for derecognition. In our view, whether such a portfolio is considered consistent with a held-to-collect business model depends on the circumstances.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

c. Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Ind AS 107.B5(e), Ind AS 109.5.7.2	Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 3(c)(v) for derivatives designated as hedging instruments.
	Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Ind AS 109.5.7.1	Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Ind AS 109.5.7.1, 6, B5.7.1	Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Ind AS 109.4.2.1

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. See Note 3(c)(v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Ind AS 109.3.2

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Ind AS 109.3.2.6

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

c. Financial instruments (continued)

Financial liabilities

Ind AS 109.3.3.1

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Ind AS 109.3.3.2

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Ind AS 32.42

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Ind AS 109.4.3.3

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Ind AS 109.5.1.1, 5.2.1(c)

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non- derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

Ind AS 109.6.4.1(a), (c)

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

Ind AS 109.6.5.11

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Ind AS 109.6.5.11, 16

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity[1].

Ind AS 109.6.5.11, 16

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in other equity is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in other equity is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

[1] The Group has adopted this as an accounting policy choice.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

c. Financial instruments (continued)

v. Derivative financial instruments and hedge accounting (continued)

Ind AS 109.6.5.6–7, 12

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

Net investment hedges

Ind AS 109. 6.5.13–14

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument (for a derivative) or foreign exchange gains and losses (for a non-derivative) is recognised in OCI and presented in other equity within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

d. Compound financial instruments

Ind AS 32.28–32

Compound financial instruments issued by the Group comprise convertible debentures denominated in INR that can be converted to equity shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

Ind AS 32.38, AG31

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Ind AS 109.4.2.1

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequently.

Ind AS 32.AG32

Interest related to the financial liability is recognised in profit or loss (unless it qualifies for inclusion in the cost of an asset). In case of conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

e. Non-derivative financial assets – service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor of the concession for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition and classified as trade receivables. Subsequent to initial recognition, such financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognised at its fair value (See also Note 3(g)(ii)).

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

f. Property, plant and equipment

Ind AS 101. 27AA, Ind AS 16.73(a)

i. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Ind AS 16.16(a)-(c)

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Ind AS 16.22

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

Ind AS 16.45

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Ind AS 16. 71

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

ii. Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment (see Note 39).

Ind AS 16.13

iii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Ind AS 16.53, 58,60
Ind AS 16.73(b)

iv. Depreciation

Depreciation is calculated on cost[1] of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method[2], and is generally recognised in the statement of profit and loss. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

[1] In case of revaluation, depreciation is provided with reference to revalued amount.

Ind AS 16.62

[2] An entity should select the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

f. Property, plant and equipment (continued)

iv. Depreciation (continued)

Ind AS 16.73(c)

The estimated useful lives of items of property, plant and equipment for the current and comparative periods are as follows:

Sch II.A.3(i), Ind AS 16.51

Asset	Management estimate of useful life	Useful life as per Schedule II[1]
Buildings	40 years	30 years
Plant and equipment (other than major components accounted for separately)	5-12 years	8-20 years
Major components of plant and equipment	3-5 years	8-20 years
Fixtures and fittings	5-10 years	10 years

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets. Estimates in respect of certain items of plant and equipment were revised in 2016.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

v. Reclassification to investment property

Ind AS 40.59

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at its carrying amount on the date of reclassification.

g. Goodwill and other intangible assets

i. Goodwill

Ind AS 38.107-108

For measurement of goodwill that arises on a business combination (see Note 3(a)(i)). Subsequent measurement is at cost less any accumulated impairment losses.

Ind AS 101 App. C4(g)

In respect of business combinations that occurred prior to 1 April 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, adjusted for the reclassification of certain intangibles.

[1] As per Schedule II 'where a company adopts a useful life different from what is specified in Part C or uses a residual value different from the limit specified above, the financial statements shall disclose such difference and provide justification in this behalf duly supported by technical advice.' Accordingly, to show such difference, the useful life as per Schedule II has also been given. However, many companies only give management estimate of useful life and not this information on the basis that ICAI Guidance Note on Accounting for Depreciation in Companies in the context of Schedule II to the Companies Act, 2013 states as below:

"63 Apart from the disclosures required under the accounting standards, Schedule II requires disclosure of useful life and/or residual value, if they are different from those specified under that Schedule. In this regard, following disclosures should be made:

(i) Disclosure of assets along with their useful lives where different from those specified under Schedule II including where the useful life estimated as per double/triple shift is different from that as would be estimated on the basis of increase in depreciation by 50% or 100% in case of double shift and triple shift respectively of single shift based depreciation."

Our preferred view is that this indicative useful life as per Schedule II should also be given.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

g. Goodwill and other intangible assets (continued)

ii. Other intangible assets

Internally generated: Research and development

Ind AS 38.54-55

Expenditure on research activities is recognised in profit or loss as incurred.

Ind AS 38.57, 66, 71, 74

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Service concession arrangements

Ind AS 11.App. A.17

The Group recognises an intangible asset arising from a service concession arrangement to the extent it has a right to charge for use of the concession infrastructure. The fair value, at the time of initial recognition of such an intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement, is regarded to be its cost. Subsequent to initial recognition the intangible asset is measured at cost, less any accumulated amortisation and accumulated impairment losses. (See Note 3(e))

Others

Other intangible assets including those acquired by the Group in a business combination are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

iii. Subsequent expenditure

Ind AS 38.18

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iv. Transition to Ind AS

Ind AS 101.27AA

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its intangible assets recognised as at 1 April 2015, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets.

v. Amortisation

Goodwill is not amortised and is tested for impairment annually.

Ind AS 38.97, 118(a)-(b)

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation in Statement of Profit and Loss.

The estimated useful lives are as follows:

- Patents and trademarks	10-20 years
- Formulae and designs	5-7 years
- Service concession arrangement	5 years

Ind AS 38.104

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

Ind AS 38.104

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

h. Biological assets

Ind AS 41.12,13

Biological assets, i.e. living animals or plants (other than bearer plants which are included in property, plant and equipment) are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

i. Investment property[1]

Ind AS 40.75(a)

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Upon initial recognition, an investment property is measured at cost. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Ind AS 101. 27AA

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its investment property recognised as at 1 April 2015, measured as per the previous GAAP and use that carrying value as the deemed cost of such investment property.

Sch II. Part A.3(i)

Based on technical evaluation and consequent advice, the management believes a period of 35 years as representing the best estimate of the period over which investment properties (which are quite similar) are expected to be used. Accordingly, the Group depreciates investment properties over a period of 35 years on a straight-line basis. The useful life estimate of 35 years is different from the indicative useful life of relevant type of buildings mentioned in Part C of Schedule II to the Act i.e. 30 years[2].

Ind AS 40. 69

Any gain or loss on disposal of an investment property is recognised in profit or loss.

Ind AS 40.75(e)

The fair values of investment property is disclosed in the notes. Fair values is determined by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

j. Inventories

Ind AS 2.9,10,13 25

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity.

Ind AS 2.6

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Ind AS 2.20

The cost of timber harvested is its fair value less costs to sell at the date of harvest.

Ind AS 2.32

The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Ind AS 40.75(c)

[1] if the classification of a property as investment property or otherwise is difficult, then an entity discloses the criteria developed to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

[2] As per Schedule II '*where a company adopts a useful life different from what is specified in Part C or uses a residual value different from the limit specified above, the financial statements shall disclose such difference and provide justification in this behalf duly supported by technical advice.*' Accordingly, to show such difference, the useful life as per Schedule II has also been given. However, many companies only give management estimate of useful life and not this information on the basis that ICAI Guidance Note on Accounting for Depreciation in Companies in the context of Schedule II to the Companies Act, 2013 states as below:

"63 Apart from the disclosures required under the accounting standards, Schedule II requires disclosure of useful life and/or residual value, if they are different from those specified under that Schedule. In this regard, following disclosures should be made:

(i) Disclosure of assets along with their useful lives where different from those specified under Schedule II including where the useful life estimated as per double/triple shift is different from that as would be estimated on the basis of increase in depreciation by 50% or 100% in case of double shift and triple shift respectively of single shift based depreciation."

Our preferred view is that this indicative useful life as per Schedule II should also be given.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

j. Inventories (continued)

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

Ind AS 2.29

The comparison of cost and net realisable value is made on an item-by-item basis.

k. Impairment

i. Impairment of financial instruments

Ind AS 107.21, Ind AS 109.5.5.1

The Group recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost; and
- financial assets measured at FVOCI- debt investments.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit- impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit- impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due for 90 days or more;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Ind AS 107.35F(a)(i), Ind AS 109 5.5.3, 5.5.5, 5.5.11, 5.5.15, 5.5.16

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses[1].

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward- looking information.

[1] For lease receivables and trade receivables with a significant financing component, an entity can choose as an accounting policy either to apply the general model for measuring loss allowance or always to measure the loss allowance at an amount equal to the lifetime expected credit loss. In these illustrative financial statements, we have assumed that the Group has chosen the latter policy.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

k. Impairment (continued)

i. Impairment of financial instruments (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Ind AS 107. 35F(b), B8A

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days or more past due.

Ind AS 107.35F(a)(i), Ind AS 109 5.5.10, B5.5.22–B5.5.24, Ind AS 109 App. A

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to 'investment grade' e.g. BBB or higher as per rating agency [S&P and/ or CRISIL].

Measurement of expected credit losses

Ind AS 109.App.A, B5.5.28–B5.5.33

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write- off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Impairment of non-financial assets

Ind AS 36.9,10,59,66

The Group's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

Ind AS 36.22,80

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Ind AS 36.6,30

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 CGU (or the asset).

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

k. Impairment (continued)

ii. Impairment of non-financial assets (continued)

The Group's corporate assets (e.g., central office building for providing support to various CGUs) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

Ind AS 36.59,104

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a *pro rata* basis.

Ind AS 36.117, 122, 124

An impairment loss in respect of goodwill is not subsequently reversed. In respect of other assets for which impairment loss has been recognised in prior periods, the Group reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Ind AS 105.6

l. Non-current assets or disposal group held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Ind AS 105.15-15A, 18-23

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any resultant loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and biological assets, which continue to be measured in accordance with the Group's other accounting policies. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Ind AS 105.25, Ind AS 28.20

Once classified as held-for-sale, intangible assets, property, plant and equipment and investment properties are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

m. Employee benefits

i. Short-term employee benefits

Ind AS 19.11

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

ii. Share-based payment transactions

Ind AS 102.14–15, 19–21, 21A

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

m. Employee benefits (continued)

ii. Share-based payment transactions (continued)

Ind AS 102.30,32

The fair value of the amount payable to employees in respect of share appreciation rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to the payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the fair value of the liability are recognised in profit or loss.

iii. Defined contribution plans

Ind AS 19.28,51

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group makes specified monthly contributions towards Government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iv. Defined benefit plans

Ind AS 19.57,83

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Ind AS 19.63, 64
Ind AS 19. App B.23-24

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Ind AS 19.122, 127-30

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Ind AS 19.103, 109-110

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. Other long-term employee benefits

Ind AS 19.155,156

The Group's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

m. Employee benefits (continued)

vi. Termination benefits

Ind AS 19.165

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

n. Provisions (other than for employee benefits)

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Ind AS 37.39

i. Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on technical evaluation, historical warranty data and a weighting of all possible outcomes by their associated probabilities.

Ind AS 37.72

ii. Restructuring

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Ind AS 37.21

iii. Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated. The provision is measured at the present value of the best estimate of the cost of restoration.

Ind AS 37.66, 68

iv. Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognises any impairment loss on the assets associated with that contract.

o. Revenue

Ind AS 18.35(a)

i. Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. This *inter alia* involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

The timing of transfers of risks and rewards varies depending on the individual terms of sale. For sales of timber and paper products, usually such transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port of the seller. Generally for such products the buyer has no right of return. For sales of livestock, transfer occurs upon receipt by the customer.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

o. Revenue (continued)

i. Sale of goods (continued)

Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to award credits is deferred and is recognised as revenue when the award credits are redeemed and the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the award credits will be redeemed.

ii. Rendering of services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

The Group is involved in managing forest resources, as well as performing related services, for third parties. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

iii. Construction contracts

Construction contract revenue arises from construction of storage units and warehouses for some of the Group's customers in the Timber Products segment. These storage units and warehouses are constructed based on specifically negotiated contracts with customers

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract costs are recognised as expenses as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

iv. Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

v. Rental income

Rental income from investment property is recognised as part of revenue from operations in profit or loss on a straight-line basis over the term of the lease except where the rentals are structured to increase in line with expected general inflation. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leasing is also recognised in a similar manner and included under other income.

vi. Service concession arrangements

Revenue related to construction or upgrade services provided under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contacts (see (iii) above). Operation or service revenue is recognised in the period in which the services are provided by the Group.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

o. Revenue (continued)

vii. Multiple deliverable arrangements

When two or more revenue generating activities or deliverables are provided under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair value of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

p. Government grants

Ind AS 20.39(a), [Ind AS 20.7, 26, 41.34–35

An unconditional government grant related to a biological asset that is measured at fair value less cost to sell is recognised in profit or loss as other income when the grant becomes receivable. Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other operating revenue on a systematic basis.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other operating revenue on a systematic basis in the periods in which such expenses are recognised.

q. Leases

Ind AS 17.App C.6,10

i. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

Ind AS 17.App C. 12-15

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

ii. Assets held under leases

Ind AS 17.8, 20,27

Leases of property, plant and equipment that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Ind AS 17.8

Assets held under leases that do not transfer to the Group substantially all the risks and rewards of ownership (i.e. operating leases) are not recognised in the Group's Balance Sheet.

iii. Lease payments

Ind AS 17.33, App A.3

Payments made under operating leases are generally recognised in profit or loss on a straight-line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Ind AS 17.25

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

r. Recognition of dividend income, interest income or expense

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Interest income or expense is recognised using the effective interest method.

Ind AS 109 App. B5.4.7, 5.4.1, 5.4.2

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

s. Income tax

Ind AS 12. 58

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Ind AS 1.117, Ind AS 12.2, 12,46

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Ind AS 12.71

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. Deferred tax

Ind AS 12.15,24, 39,44

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Ind AS 12.56

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Notes to the consolidated financial statements (continued)

3. Significant accounting polices (continued)

s. Income tax (continued)

ii. Deferred tax **(continued)**

Ind AS 12.47

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Ind AS 12.51

The measurement of deferred tax 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.

Ind AS 12.74

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

t. Discontinued Operations

Ind AS 105.32

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from those of the rest of the Group and which represents a separate major line of business or geographical area of operations and

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Ind AS 105.34

When an operation is classified as a discontinued operation, the comparative statement of profit and loss is re-presented as if the operation had been discontinued from the start of the comparative period.

u. Borrowing cost

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the consolidated financial statements (continued)

4. Operating segments

A. Basis for segmentation

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segments and assess their performance.

Ind AS 108.20- 22

The Group has six reportable segments, as described below, which are the Group's strategic business units. These business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Operations
Standard Papers	Manufacturing and distributing pulp and paper.
Recycled Papers	Recycling and distributing pulp and paper.
Packaging	Designing and manufacturing packaging materials; this segment was sold in August 2016 (see Note 5).
Forestry	Cultivating and managing forest resources as well as providing related services.
Timber Products	Manufacturing and distributing softwood lumber, plywood, veneer, composite panels, engineered lumber, raw materials and building materials.
Research and Development	Conducting research and development activities related to the Group's operations.

Ind AS 41.46(a) (Forestry)

Ind AS 108. 16, 41.46(a)

Other operations of the Group include cultivation and sale of farm animals (sheep and cattle), construction of storage units and warehouses, rental of investment property, manufacture of furniture and related parts, and the Group's service concession arrangement. None of these operations meets any of the quantitative thresholds for determining reportable segments in the year ended 31 March 2017 or year ended 31 March 2016.

Ind AS 108.27(a)

There are varying levels of integration between the Forestry and Timber Products segments, and the Standard Papers and Recycled Papers segments. This integration includes transfers of raw materials and shared distribution services, respectively.

B. Information about reportable segments

Ind AS 108.27

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)

B. Information about reportable segments (continued)

Year ended 31 March 2017

	In thousands of INR	Reportable segments								
		Standard Papers	**Recycled Papers**	**Packaging (Discontinued)***	**Forestry**	**Timber products**	**Research and Development**	**Total Reportable segments**	**All other segments[1]**	**Total**
	Segment revenue:									
Ind AS 108.23(a), 32	- External revenues[2,3]	64,119	27,311	7,543	3,967	2,700	-	105,639	2,302	107,941
Ind AS 108.23(b)	- Inter-segment revenue	-	317	940	2,681	1,845	875	6,658	891	7,549
	Total segment revenue	**64,119**	**27,628**	**8,483**	**6,648**	**4,545**	**875**	**112,297**	**3,193**	**115,490**
Ind AS 108.21(b)	Segment profit (loss) before income tax	6,627	3,039	(162)	1,212	(263)	101	10,554	771	11,325
	Segment profit (loss) before income tax includes:									
Ind AS 108.23(c)	Interest revenue[4]	116	46	-	48	10	-	220	28	248
	Interest expense	(594)	(462)	-	(353)	(76)	-	(1,485)	(15)	(1,500)
Ind AS 108.23(e)	Depreciation and amortisation	(1,949)	(1,487)	(623)	(1,069)	(233)	(189)	(5,550)	(231)	(5,781)
Ind AS 108.23(g)	Share of profit (loss) of equity accounted investees	467	-	-	-	-	-	467	-	467
Ind AS 108.23(i)	Other material non-cash items[3]:									
Ind AS 36.129(a), 130(d)(ii)	- Impairment losses on non-financial assets	-	-	-	-	(116)	-	(116)	-	(116)
Ind AS 36.129(b), 130(d)(ii)	- Reversal of impairment losses on non-financial assets	493	-	-	-	-	-	493	-	493

*See Note 5.

Ind AS 108.16 [1] Ind AS 108 requires that information about other business activities and operating segments that are not reportable be combined and disclosed in an "all other segments" category separately from other reconciling items in the reconciliations required by paragraph 28 of the standard. The sources of the revenue included in the "all other segments" category are described. In our view, business activities which do not meet the definition of an operating segment (e.g. corporate activities) should not be included in the "all other segments" category; instead the amounts for these activities should be reported in the reconciliation of the total reportable segment amounts to the financial statements.

[2] Because the Group's reportable segments are based on differences in products and services, no additional disclosures of revenue information about products and services are required, i.e. the disclosures required in paragraph 32 (read with paragraph 31) of Ind AS 108 with regard to revenue from external customers for each product or service, or each group of similar products and services, are provided already in the overall table on information about reportable segments.

Ind AS 108.23 [3] The Group has disclosed these amounts for each reportable segment because they are regularly provided to the Group's CEO.

Ind AS 108.23 [4] An entity reports interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest, and the Chief Operating Decision Maker relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of interest expense, and disclose that it has done so.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)

B. Information about reportable segments (continued)

Year ended 31 March 2017

In thousands of INR	Reportable segments: Standard Papers	Recycled Papers	Packaging (Discontinued)*	Forestry	Timber products	Research and Development	Total Reportable segments	All other segments	Total
Ind AS 108.21(b) **Segment assets**[1]	**41,054**	**20,384**	**-**	**21,046**	**4,521**	**2,323**	**89,328**	**7,398**	**96,726**
Segment assets include:									
Ind AS 108.24(a) Investments accounted for using equity method	2,025	-	-	-	-	-	2,025	-	2,025
Ind AS 108.24(b) Capital expenditure during the year	9,697	6,365	-	1,158	545	1,203	18,968	560	19,528
IndAS 108.21(b) **Segment liabilities**[1]	**39,399**	**11,556**	**-**	**5,769**	**1,236**	**169**	**58,129**	**237**	**58,366**

*See Note 5.

Ind AS 108.23 [1] The Group has disclosed these amounts for each reportable segment because they are regularly provided to the Group's CEO.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)

B. Information about reportable segments (continued)

Year ended 31 March 2016[1]

	In thousands of INR	Reportable segments								
		Standard Papers	**Recycled Papers**	**Packaging (Discontinued)***	**Forestry**	**Timber products**	**Research and Development**	**Total Reportable segments**	**All other segments**[2]	**Total**
	Segment revenue:									
Ind AS 108.23(a),32	- External revenues[3,4]	67,092	22,060	23,193	3,646	2,985	-	118,976	853	119,829
Ind AS 108.23(b)	- Inter-segment revenue[4]	-	323	2,835	2,676	1,923	994	8,751	765	9,516
	Total segment revenue	**67,092**	**22,383**	**26,028**	**6,322**	**4,908**	**994**	**127,727**	**1,618**	**129,345**
Ind AS 108.21(b)	Segment profit (loss) before income tax	4,106	1,664	(466)	979	1,280	67	7,630	195	7,825
	Segment profit (loss) before income tax includes:									
Ind AS 108.23(c)	Interest revenue[4, 5]	103	29	-	32	7	-	171	7	178
Ind AS 108.23(d)	Interest expense[4]	(586)	(362)	-	(308)	(63)	-	(1,319)	(19)	(1,338)
Ind AS 108.23(e)	Depreciation and amortisation[4]	(2,130)	(1,276)	(1,250)	(696)	(201)	(165)	(5,718)	(199)	(5,917)
Ind AS 108.23(g)	Share of profit/ (loss) of equity accounted investees	587	-	-	-	-	-	587	-	587
Ind AS 108.23(i)	Other material non-cash items[4]:									
Ind AS 36.129(a), 130(d)(ii)	- Impairment losses on non-financial assets	(1,408)	-	-	-	-	-	(1,408)	-	(1,408)
Ind AS 36.129(b), 130(d)(ii)	- Reversal of impairment losses on non-financial assets	-	-	-	-	-	-	-	-	-

*See Note 5.

[1] As a result of the acquisition of Papyrus Pty Limited (Papyrus) during the year ended 31 March 2017 (see Note 7), the Group has changed its internal organisation and the composition of its reportable segments.

Ind AS 108.16 [2] Ind AS 108, *Operating Segments,* requires that information about other business activities and operating segments that are not reportable be combined and disclosed in an "all other segments" category separately from other reconciling items in the reconciliations required by paragraph 28 of the standard. The sources of the revenue included in the "all other segments" category are described. In our view, business activities which do not meet the definition of an operating segment (e.g. corporate activities) should not be included in the "all other segments" category; instead the amounts for these activities should be reported in the reconciliation of the total reportable segment amounts to the financial statements.

[3] Because the Group's reportable segments are based on differences in products and services, the entity wide disclosures required by paragraph 32 (read with paragraph 31) of Ind AS 108 with regard to revenue from external customers for each product or service, or each group of similar products and services, are provided already in the overall table on information about reportable segments. Hence, no further disclosures are required in this regard.

Ind AS 108.23 [4] The Group has disclosed these amounts for each reportable segment because they are regularly provided to the Group's CEO.

Ind AS 108.23 [5] An entity reports interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest, and the Chief Operating Decision Maker relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of interest expense, and disclose that it has done so.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)
B. Information about reportable segments (continued)

Year ended 31 March 2016

		Reportable segments									
	In thousands of INR	**Standard Papers**	**Recycled Papers**	**Packaging (Discontinued)***	**Forestry**	**Timber products**	**Research and Development**	**Total Reportable segments**	**All other segments**	**Total**
Ind AS 108.21(b)	**Segment assets[1]**	**25,267**	**16,003**	**13,250**	**16,942**	**3,664**	**1,946**	**77,072**	**3,683**	**80,755**
	Segment assets include:									
Ind AS 108.24(a)	Investments accounted for using equity method	1,558	-	-	-	-	-	1,558	-	1,558
Ind AS 108.24(b)	Capital expenditure during the year	1,136	296	127	722	369	123	2,773	150	2,923
Ind AS 108.21(b)	**Segment liabilities[1]**	**26,907**	**11,316**	**2,959**	**7,097**	**1,526**	**158**	**49,963**	**454**	**50,417**

* See Note 5.

Ind AS 8.23 [1] The Group has disclosed these amounts for each reportable segment because they are regularly provided to the Group's CEO.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)

C. Reconciliations of information on reportable segments to Ind AS measures[1]

In thousands of INR

		Note	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 108.28(a)	***i. Revenues***			
	Total revenue for reportable segments		112,297	127,727
	Revenue for other segments		3,193	1,618
	Elimination of inter-segment revenue		(7,549)	(9,516)
	Elimination of revenue of discontinued operation	5	(7,543)	(23,193)
	Consolidated revenue		**100,398**	**96,636**
Ind AS 108.28(b)	***ii. Profit before tax***			
	Total profit before tax for reportable segments		10,554	7,630
	Profit before tax for other segments		771	195
	Elimination of inter-segment profits		(1,695)	(1,175)
	Elimination of profit of discontinued operation	5	162	466
	Unallocated amounts:			
	Corporate expenses		(1,419)	(937)
	Consolidated profit from continuing operations before tax		**8,373**	**6,179**
Ind AS 108.28 (c)	***iii. Assets***			
	Total assets for reportable segments		89,328	77,072
	Assets for other segments		7,398	3,683
	Unallocated amounts		5,379	6,744
	Consolidated total assets		**102,105**	**87,499**
Ind AS 108.28(d)	***iv. Liabilities***			
	Total liabilities for reportable segments		58,129	49,963
	Liabilities for other segments		237	454
	Unallocated amounts		2,012	3,398
	Consolidated total liabilities		**60,378**	**53,715**

Ind AS 108.27–28

[1] To help users understand the segment information presented, an entity discloses information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effect of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding amounts in the financial statements.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)

C. Reconciliations of information on reportable segments to Ind AS measures[1] (continued)

Ind AS 108.28(e)

v. Other material items

Year ended 31 March 2017

In thousands of INR	**Reportable segment total**	**Adjustments**	**Consolidated totals**
Interest revenue	220	(12)	208
Interest expense	1,485	(245)	1,240
Capital expenditure during the year	18,968	(1,140)	17,828
Depreciation and amortisation expense	5,550	289	5,839
Impairment losses on non-financial assets	116	-	116
Reversal of impairment losses on non-financial assets	493	-	493

Year ended 31 March 2016

In thousands of INR	**Reportable segment total**	**Adjustments**	**Consolidated totals**
Interest revenue	171	(20)	151
Interest expense	1,319	(20)	1,299
Capital expenditure during the year	2,773	657	3,430
Depreciation and amortisation	5,718	226	5,944
Impairment losses on non-financial assets	1,408	-	1,408

Ind AS 108.27–28 [1] To help users understand the segment information presented, an entity discloses information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effect of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding amounts in the financial statements.

Notes to the consolidated financial statements (continued)

4. Operating segments (continued)

D. Geographical information[1]

Ind AS 108.33(a), (b)

The Standard Papers, Recycled Papers and Forestry segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in France, the Netherlands, Germany, and the United States of America.

The geographical information analyses the Group's revenues and non-current assets by the Company's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been based on the geographic location of customers and segment assets which have been based on the geographical location of the assets.

i. Revenues

In thousands of INR

	Year ended 31 March 2017	Year ended 31 March 2016
India (a)	17,238	16,320
Other countries		
France	14,140	20,298
Netherlands	20,654	23,321
Germany	23,556	25,877
United States of America	22,643	23,268
United Kingdom	4,001	5,300
Other countries	5,709	5,445
Total other countries (b)	90,703	103,509
Total (a+b)	**107,941**	**119,829**
Packaging (discontinued)	(7,543)	(23,193)
	100,398	**96,636**

ii. Non-Current assets*

In thousands of INR

	31 March 2017	31 March 2016
India	8,000	9,159
Other countries		
France	7,290	6,435
Netherlands	7,983	8,986
Germany	5,604	7,377
United States of America	7,691	7,807
United Kingdom	2,002	1,998
Other countries	4,728	5,373
	35,298	37,976
	43,298	**47,135**

*Non-current assets exclude financial instruments, deferred tax assets and post-employment benefit assets[2].

E. Major customer

Ind AS 108.34

Revenue from one customer of the Group's Standard Papers and Recycled Papers segments is INR 20,000 thousand (2015-16: INR 17,500 thousand) which is more than 10 percent of the Group's total revenue.

[1] In our view, entity-wide disclosures by region – e.g. Europe or Asia – do not meet the requirement to disclose information by an individual foreign country, if the amount relating to an individual foreign country is material.

Ind AS 108.24(a), 33(b)

[2] The Group has disclosed the equity-accounted investees as the geographic information of non-current assets because they are regularly provided to the Chief Operating Decision Maker. The standard does not clarify which financial instruments are excluded from non-current assets reported in the geographical information. An entity discloses the equity-accounted investees within the disclosure of geographical information of non-current assets, if they are regularly provided to the Chief Operating Decision Maker.

Notes to the consolidated financial statements (continued)

5. Discontinued operation

See accounting policy in Note 3(t).

Ind AS 105.30, 41(a), (b), (d)

In August 2016 the Group sold its entire Packaging segment (see Note 4). Management committed to a plan to sell this segment early during the current financial year, following a strategic decision to place greater focus on the Group's key competencies- i.e. the manufacture of paper used in the printing industry, forestry and manufacture of timber products.

The Packaging segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit and loss has been re-presented to show the discontinued operation separately from continuing operations.

Management has eliminated from the results of the discontinued operation the inter-segment sales and costs thereof (and consequentially unrealised profits) made prior to its disposal. The aforesaid costs are shown as those of continuing operations as these costs relate to revenue earned by continuing operations.

Ind AS 1.98(e)

A. Results of discontinued operation

In thousands of INR

	Reference	Note	Year ended 31 March 2017	Year ended 31 March 2016
Revenue	*Ind AS 105.33(b)(i)*		8,483	26,028
Elimination of inter-segment revenue			(940)	(2,835)
External revenue			7,543	23,193
Expenses			(8,641)	(26,486)
Elimination of expenses related to inter-segment sales			936	2,827
External expenses	*Ind AS 105.33(b)(i)*		(7,705)	(23,659)
Results from operating activities			**(162)**	**(466)**
Income tax	*Ind AS 105.33(b)(i)*	*13(A)*	25	44
Results from operating activities, net of tax	*Ind AS 105.33(b)(iii)*		**(137)**	**(422)**
Gain on sale of discontinued operation			846	-
Income tax on gain on sale of discontinued operation	*Ind AS 105.33(b)(ii), Ind AS 12.81(h)(ii)*	*13(A)*	(330)	-
Profit (loss) from discontinued operation, net of tax	*Ind AS 105.33(b)(iv), Ind AS 12.81(h)(i)*		**379**	**(422)**

Ind AS 105.33(d)

The profit from discontinued operation of INR 379 thousand (2015-16: loss of INR 422 thousand) is attributable entirely to the owners of the Company. Of the profit from continuing operations of INR 5,845 thousand (2015-16: INR 4,378 thousand), an amount of INR 5,469 thousand is attributable to the owners of the Company (2015-16: INR 4,160 thousand).

Notes to the consolidated financial statements (continued)

5. Discontinued operation (continued)

Ind AS 105.33 (c)

B. Cash flows from (used in) discontinued operation[1]

In thousands of INR

	Note	Year ended 31 March 2017	Year ended 31 March 2016
Net cash used in operating activities		(225)	(910)
Net cash from investing activities	*(C)*	10,890	852
Net cash flows for the year		**10,665**	**(58)**

Ind AS 7.40(d)

C. Effect of disposal on the financial position of the Group

In thousands of INR

	Note	31 March 2017
Property, plant and equipment		(7,986)
Inventories		(134)
Trade receivables		(3,955)
Cash and cash equivalents (*Ind AS 7.40 (c)*)		(110)
Deferred tax liabilities	13	110
Trade payables		45
Other financial liabilities		1,876
Assets net of liabilities		**(10,154)**
Consideration received, satisfied in cash (*Ind AS 7.40(a),(b)*)		11,000
Cash and cash equivalents disposed of		(110)
Net cash inflows	*(B)*	**10,890**

Ind AS 105.33(c) [1] The net cash flow attributable to the operating, investing and financing activities of discontinued operations may instead be disclosed separately in the statement of cash flows.

Notes to the consolidated financial statements (continued)

6. Disposal group held for sale[1,2]

See accounting policy in Note 3(l).

Ind AS 105.41(a), (b),(d)

In September 2016, management committed to a plan to sell part of a manufacturing facility within the Standard Papers segment. Accordingly, that part of the facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by September 2017.

A. Impairment losses (write-down) relating to the disposal group held for sale

Ind AS 105.41(c)

A loss of INR 25 thousand for write down of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in 'other expenses' (see Note 10D). The loss has been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

Ind AS 105.38

B. Assets and liabilities of the disposal group held for sale[3]

At 31 March 2017, the disposal group has been stated at fair value less costs to sell (being lower of their carrying amount) and comprises the following assets and liabilities

In thousands of INR

	Note	**31 March 2017**
Property, plant and equipment	*14*	8,139
Trade receivables		3,496
Inventories		2,775
Assets held for sale		**14,410**
Trade payables		4,270
Deferred tax liabilities	*13*	140
Liabilities held for sale		**4,410**

[1] The part of the Group's manufacturing facility that has been presented as a disposal group held for sale does not meet the definition of a discontinued operation in Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations*. If it did, then additional disclosures applicable to a discontinued operation would have been required.

[2] Ind AS 105.38 requires an entity to present separately any cumulative income or expense recognised in other comprehensive Income relating to a non-current asset or disposal group classified as held for sale (e.g. revaluation surplus relating to PPE classified as held for sale). In these illustrative financial statements, it is assumed that other comprehensive income does not contain any item related to the disposal group held for sale.

Ind AS 105.38 [3] The Group has elected to disclose major classes of assets and liabilities classified as held-for-sale in the notes. Alternatively, this information may be provided in the Balance Sheet.

Notes to the consolidated financial statements (continued)

6. Disposal group held for sale (continued)

C. Measurement of fair values

Ind AS 113.93(a)-(b)

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of INR 10,060 thousand (before costs to sell of INR 60 thousand) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2(E))[1].

ii. Valuation technique and significant unobservable inputs

Ind AS 113.93(d), 99

The following table shows the valuation technique used in measuring the fair value of the disposal group, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
Cost approach and discounted cash flows: The Group considers both approaches, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The cost approach considers the current replacement costs of replicating the manufacturing facility, including the costs of transportation, installation and start-up. Discounted cash flows consider the present value of the net cash flows expected to be generated from the facility, taking into account the budgeted EBITDA growth rate and budgeted capital expenditure growth rate; the expected net cash flows are discounted using a risk-adjusted discount rate.	– Budgeted EBITDA growth rate (4.2–5.1%, weighted average 4.7%). – Budgeted capital expenditure growth rate (3–4%, weighted average 3.5%). – Risk-adjusted discount rate (7.2–8.5%, weighted average 7.7%).

Ind AS 113.93 (a) [1] A non-recurring fair value measurement – e.g. related to an asset classified as held-for-sale – may occur during the reporting period. The disclosures required for a non-recurring fair value measurement are applicable in the financial statements for the period in which the fair value measurement occurred.

Notes to the consolidated financial statements (continued)

7. Acquisitions of subsidiary and non-controlling interests[1]

See accounting policy in Note 3(a) (i)-(iii) and (vi).

Acquisition of subsidiary

Ind AS 103.B64(a)-(c)

On 30 June 2016, the Group acquired 75 percent of the voting shares of Papyrus Pty Limited, a manufacturer and distributor of standard pulp and paper. As a result, the Group's equity interest in Papyrus increased from 25 percent to 100 percent, giving it control of Papyrus (see Note 18(B)).

Ind AS 103.B64(d)

Control over Papyrus will enable the Group to modernise its production process through access to Papyrus' patented technology. The acquisition is expected to provide the Group with an increased share of the standard paper market through access to the Papyrus' customer base. The Group also expects to reduce costs through economies of scale.

Ind AS 103.B64(q)

For the nine months ended 31 March 2017, Papyrus contributed revenue of INR 13,678 thousand and profit of INR 320 thousand to the Group's results. Management estimates that if the acquisition had occurred on 1 April 2016, consolidated revenue and consolidated profit for the year would have been INR 104,535 thousand and INR 6,325 thousand, respectively. Management has determined these amounts on the basis that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2016.

Ind AS 103.B64(f)

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

In thousands of INR

		Note	
Ind AS 103.B64(f)(i), Ind AS 7.40(a)-(b)	Cash		2,500
Ind AS 103.B64(f)	Equity instruments (8,000 equity shares)	*24A*	87
	Replacement share-based payment awards – value of past service		120
Ind AS 103.B64(f)(iii)	Contingent consideration		250
			2,957
	Settlement of pre-existing relationship		(326)
	Total consideration for business combination		**2,631**

i. Equity instruments issued

Ind AS 103.B64(f)(iv)

The fair value of the equity shares issued (INR 10.88 per share) was based on the listed share price of the Company at 30 June 2016.

ii. Replacement share-based payment awards

Ind AS 103.B64(l)

In accordance with the terms of the acquisition agreement, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards). The details of the acquiree's awards and replacement awards were as follows:

[1] If the initial accounting for an acquisition is based on provisional values, and those provisional values are adjusted within 12 months of the acquisition date, then comparative information is restated, including recognition of any additional depreciation, amortisation or other profit or loss effect resulting from finalising the provisional values. An entity discloses adjustments to amounts recognised for prior period business combinations that were determined provisionally. In these illustrative financial statements, there were no business combinations in the comparative period; hence comparative information has not been illustrated.

Notes to the consolidated financial statements (continued)

7. Acquisitions of subsidiary and non-controlling interests (continued)

A. Consideration transferred (continued)

ii. Replacement share-based payment awards (continued)

	Acquiree's awards	Replacement awards
Terms and conditions	Grant date: 1 July 2015 Vesting date: 30 June 2019 subject to fulfilment of service condition	Vesting date: 30 June 2019 subject to fulfilment of service condition
Fair value at date of acquisition	INR 520 thousand	INR 571 thousand

The value of the replacement awards is after taking into account an estimated forfeiture rate of 9 percent. The consideration for the business combination includes INR 120 thousand transferred to employees of Papyrus when the acquiree's awards were substituted by the replacement awards, which relates to past service. The balance amount of INR 400 thousand is recognisable as post-acquisition compensation cost. For further details on the replacement awards (see Note 28 (A)(ii)).

iii. Contingent consideration

Ind AS 103.B64(g), B67(b)

The Group has agreed to pay to the selling shareholders in three years' time additional consideration of INR 600 thousand if the acquiree's cumulative EBITDA over the next three years exceeds INR 10,000 thousand. The Group has included INR 250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition (see Note 2E). At 31 March 2017, the contingent consideration has increased to INR 270 thousand (see Note 31B).

iv. Settlement of pre-existing relationship

Ind AS 103.B64(l)

The Group and Papyrus were parties to a long-term supply contract under which Papyrus supplied the Group with timber at a fixed price. Under the contract, the Group could terminate the agreement early by paying Papyrus INR 326 thousand. This pre-existing relationship was effectively terminated when the Group acquired Papyrus.

The Group has attributed INR 326 thousand of the consideration transferred to the extinguishment of the supply contract and has included the amount in other expenses (see Note 10D). This amount is the lower of the termination amount and the value of the off-market element of the contract. The fair value of the contract at the date of acquisition was INR 600 thousand, of which INR 400 thousand related to the unfavourable aspect of the contract to the Group relative to market prices.

B. Acquisition-related costs

Ind AS 3.B64(l), (m)

The Group incurred acquisition-related costs of INR 50 thousand on legal fees and due diligence costs. These costs have been included in legal and professional fees under other expenses.

Notes to the consolidated financial statements (continued)

7. Acquisitions of subsidiary and non-controlling interests (continued)

Ind AS 103.B64(i), Ind AS 7.40(a)-(d)

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In thousands of INR

	Note	
Property, plant and equipment	*14(A)*	1,955
Intangible assets	*15(A)*	250
Inventories		625
Ind AS 103.B64(i) Trade receivables		848
Ind AS 7.40(c) Cash and cash equivalents		375
Borrowings		(500)
Deferred tax liabilities	*13*	(79)
Contingent liabilities	*30*	(20)
Trade payables		(410)
Total net identifiable assets acquired		**3,044**

Notes to the consolidated financial statements (continued)

7. Acquisitions of subsidiary and non-controlling interests (continued)

C. Identifiable assets acquired and liabilities assumed (continued)

Measurement of fair values[1]

Ind AS 103.61

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	*Relief-from-royalty method and multi-period excess earnings method:* The relief from- royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Ind AS 103.B64(h)(ii)-(iii)

The trade receivables comprise gross contractual amounts due of INR 900 thousand, of which INR 52 thousand was expected to be uncollectible at the date of acquisition[2].

Fair values measured on a provisional basis

Ind AS 103.B67(a), Ind AS 1.125

The following amounts have been measured on a provisional basis.

- The fair value of Papyrus' intangible asset (patented technology) has been determined provisionally pending completion of an independent valuation.

Ind AS 103.B64(j), B67(c), Ind AS 37.86

- Papyrus is the defendant in legal proceedings brought by a customer that alleges Papyrus supplied defective goods. Management's assessment, based on its interpretation of the underlying sales contract and independent legal advice, is that the basis for the customer's claim has little merit and it is not probable that an outflow will be required to settle the claim. Management's assessment of the fair value of this contingent liability, taking into account the range of possible outcomes of the judicial process, is INR 20 thousand.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

[1] The Group has disclosed information about the fair value measurement of assets acquired in a business combination, although the disclosure requirements of Ind AS 113 do not apply to the fair value of these assets if they are subsequently measured at other than fair value. **This disclosure is voluntary and is provided only for illustrative purposes.**

[2] In these illustrative financial statements, it has been assumed that the receivables are short-term and hence the effect of discounting would not be significant.

Notes to the consolidated financial statements (continued)

7. Acquisitions of subsidiary and non-controlling interests (continued)

D. Goodwill

Goodwill arising from the acquisition has been determined as follows:

In thousands of INR

	Note	**Amount**
Consideration transferred	*(A)*	2,631
Fair value of pre-existing equity interest in Papyrus		650
Fair value of net identifiable assets	*(C)*	(3,044)
Goodwill	*15A*	**237**

Ind AS B64(p)(i)

Ind AS 103.B64(p)(ii)

The remeasurement to fair value of the Group's existing 25 percent interest in Papyrus resulted in a gain of INR 250 thousand, which has been recognised in other income (see Note 9).

Ind AS 103.B64(e), (k)

The goodwill is attributable mainly to the skills and technical talent of Papyrus' work force and the synergies expected to be achieved from integrating Papyrus into the Group's existing Standard Papers business (see Note 15). None of the goodwill recognised is expected to be deductible for income tax purposes[1].

E. Acquisition of NCI

In September 2016 the Group acquired an additional 15 percent interest in Windmill N.V. for INR 200 thousand in cash, increasing its ownership interest from 60 to 75 percent. The carrying amount of Windmill's net assets in the Group's consolidated financial statements on the date of the acquisition was INR 767 thousand. The Group consequently recognised a decrease in NCI of INR 115 thousand. The difference of INR 85 thousand represents a decrease in retained earnings of INR 93 thousand and an increase in the cumulative balance of foreign exchange translation differences of INR 8 thousand attributable to owners of the Company.

Ind AS 112.10(b)(iii), 18

In thousands of INR

Carrying amount of NCI acquired (INR 767 x 15%)	115
Consideration paid to NCI	200
Decrease in equity attributable to owners of the Company	**(85)**

[1] This aspect would depend upon exact facts and circumstances of each case and would need to be determined accordingly in consultation with tax expert.

Notes to the consolidated financial statements (continued)

Sch III. II.I

8. Revenue from operations

See accounting policy in Note 3(o).

Ind AS 18.35(b)(i), Sch III. II.GI.3(a); Ind AS 18.35(b)(ii); Ind AS 18.35(b)(ii); Ind AS 11.39(a); Ind AS 11.App. B.6A; Sch III. II.GI.3(c); Ind AS 40.75(f)(i)

In thousands of INR		Continuing operations		Discontinued Operation (see Note 5)		Total	
	Note	**Year ended 31 March 2017**	**Year ended 31 March 2016**	**Year ended 31 March 2017**	**Year ended 31 March 2016**	**Year ended 31 March 2017**	**Year ended 31 March 2016**
Sale of products (including excise duty)[1] (A)		84,770	80,690	7,543	23,193	92,313	103,883
Sale of services							
Rendering of services		13,120	14,786	-	-	13,120	14,786
Commissions		451	307	-	-	451	307
Construction contract revenue		659	641	-	-	659	641
Service concession revenue		350	-	-	-	350	-
Total sale of services (B)		14,580	15,734	-	-	14,580	15,734
Other operating revenue							
Investment property rentals	*33(B)*	810	212	-	-	810	212
Government grants		238	-			238	-
Total other operating revenue (C)		1,048	212	-	-	1,048	212
Total revenue from operations (A+B+C)		**100,398**	**96,636**	**7,543**	**23,193**	**107,941**	**119,829**

In September 2016, the Group introduced a customer loyalty programme to stimulate the sale of certain paper products used in the printing industry. The Group grants award credits when customers buy certain designated paper products. These award credits can be redeemed for discounted paper products.

At 31 March 2017, the Group has deferred income of INR 50 thousand (31 March 2016: Nil), which represents the fair value of that portion of the consideration received or receivable in respect of initial sales of paper products for which award credits have been granted, but not yet been redeemed[2,3].

[1] Once Goods and Services Tax (GST), which would replace excise duty, sales tax/VAT, etc. comes into effect, revenue from sale of goods would be reported exclusive of GST.

[2] In these illustrative financial statements it is assumed that there is no restriction on the number of points that can be redeemed during a specified period and as such deferred income balance in relation to this programme is presented as current in the Balance Sheet. In practice, there may be customer loyalty programmes with restrictions on the number of points that can be redeemed during a specified period – such a restriction could give rise to a non-current presentation of the whole or a part of the related deferred income.

[3] Although it is not required by Ind AS 18, *Revenue*, **the Group has provided these disclosures for illustrative purposes only (and are not mandatory)**.

Notes to the consolidated financial statements (continued)

8. Revenue from operations (continued)

Ind AS 1.122, 18.8

Commission relates to the sale of products in which the Group acts as an agent in the transaction rather than as the principal. In assessing the Group's role to be that of an agent rather than a principal, the management considered the following factors:

- The Group does not take title to the goods and has no responsibility in respect of the goods sold.
- The Group cannot vary the selling prices set by the supplier by more than one percent.
- Although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods.

Ind AS 11.40(a)

For the year ended 31 March 2017, aggregate costs incurred under construction contracts in progress and recognised profits (net of recognised losses), amounted to INR 570 thousand (2015-16: INR 530 thousand).

Notes to the consolidated financial statements (continued)

Ind AS 1.97

9. Other income[1]

In thousands of INR

Reference		Note	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 107.20(b)	Interest income under the effective interest method on:			
	Corporate debt securities-at FVOCI		8	27
	Corporate debt securities at amortised cost		198	123
	Cash and cash equivalents		2	1
	Re-measurement to fair value of existing equity interest in acquiree in business combination	7	250	-
Ind AS 41.40	Change in fair value of biological assets	16	661	65
Ind AS 107.11A(d)	Dividend income on equity securities –at FVOCI-investments held at reporting date	20	26	32
Ind AS 107.20(a)(viii)	Gain on derecognition of corporate debt securities at FVOCI – reclassified from OCI		64	32
Sch III.II.GI.7(g)	Gain on sale of investments (net)		68	53
Ind AS 107.20(a)(i)	Financial assets at FVTPL-net change in fair value:			
	Mandatorily measured at FVTPL-held for trading		74	-
	Mandatorily measured at FVTPL-others		440	211
Ind AS 107.24C(b)	Cash flow hedges - gain reclassified from OCI		31	11
	Reversal of impairment loss (net)	15(B)	377	-
Ind AS 1.98(c)	Net gain on sale of property, plant and equipment		26	100
	Rental income from property subleases	33	50	50
			2,275	**705**

[1] Any item of income which exceeds one per cent of the revenue from operations or INR 1,000 thousand, whichever is higher, should be disclosed separately.

Notes to the consolidated financial statements (continued)

Sch III.II.IV

10A. Cost of materials consumed

In thousands of INR

	Year ended 31 March 2017	Year ended 31 March 2016
Inventory of materials at the beginning of the year	5,753	5,060
Add: Purchases	42,823	43,901
Less: Inventory of materials at the end of the year	(4,860)	(5,753)
Cost of materials consumed	**43,716**	**43,208**

Sch III. II.IV

10B. Changes in inventory of finished goods and work-in progress

In thousands of INR

	Year ended 31 March 2017			Year ended 31 March 2016		
	Opening inventory	Closing inventory	(Increase) decrease in inventory	Opening inventory	Closing inventory	(Increase) decrease in inventory
Finished goods	4,705	5,464	(759)	5,522	4,705	817
Work-in-progress	1,661	2,543	(882)	2,134	1,661	473
	6,366	**8,007**	**(1,641)**	**7,656**	**6,366**	**1,290**

Sch III. II.GI.7(b)

10C. Depreciation and amortisation expense

See accounting policy 3(f), (g) and (i).

In thousands of INR		*Note*	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 16.75	Depreciation of property, plant and equipment	*14*	5,001	5,122
Ind AS 38.118(d)	Amortisation of intangible assets	*15*	785	795
Ind AS 40	Depreciation on investment property	*17*	53	27
			5,839	**5,944**

Notes to the consolidated financial statements (continued)

Sch III. II.GI.7(i)

10D. Other expenses[1]

In thousands of INR	Year ended 31 March 2017	Year ended 31 March 2016
Power and fuel	300	270
Rent	475	477
Repairs and maintenance	9,917	8,398
Rates and taxes	102	90
Traveling and conveyance	342	245
Legal and professional fees	1,981	1,145
Sch III. II.GI.7.(i) Payments to auditors (see Note (i) below)	1,810	1,587
Advertising and sales promotion	2,505	1,610
Impairment loss on non-current assets (non-financial)	-	1,408
Impairment loss on disposal group held for sale	25	-
Impairment loss on financial assets	213	247
Warranties	140	210
Loss on onerous contract	160	-
Restructuring	600	500
Site restoration	350	218
Sch III. II.GI.7.(j) Expenditure on corporate social responsibility (see Note (ii) below)	41	19
Net loss on foreign currency transactions	51	238
Change in fair value of contingent consideration	20	-
Financial assets mandatorily measured at FVTPL-net change in fair value	-	19
Cash flow hedges-ineffective portion of changes in fair value	13	9
Net investment hedges-ineffective portion of changes in fair value	1	-
Miscellaneous	479	290
	19,525	**16,980**

[1] Any item of expenditure which exceeds one per cent of the revenue from operations or INR 1,000 thousand, whichever is higher, should be disclosed separately.

Notes to the consolidated financial statements (continued)

10D. Other expenses (continued)

Sch III. II.GI.7.(i)

(i) Payments to auditors

In thousands of INR

	Year ended 31 March 2017	Year ended 31 March 2016
As auditor		
Statutory audit	950	850
Tax audit	180	162
Limited review of quarterly results	290	280
In other capacity		
Taxation matters	200	150
Company law matters	25	-
Reimbursement of expenses	165	145
	1,810	**1,587**

(ii) Details of corporate social responsibility expenditure[1]

In thousands of INR

	Year ended 31 March 2017	Year ended 31 March 2016
(a) Amount required to be spent by the Group during the year	41	19
(b) Amount spent during the year (in cash)		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	41	19

[1] Although is it not specifically required, the Group has provided these disclosures in consolidated financial statements. **This disclosure is voluntary and is provided only for illustrative purposes.**

Notes to the consolidated financial statements (continued)

Sch. III.II.IV

11. Employee benefits expense

See accounting policy in Note 3(m).

In thousands of INR

		Note	Year ended 31 March 2017	Year ended 31 March 2016
Sch. III.II. GI.7(a)	Salaries, wages and bonus		18,220	16,148
Sch. III.II. GI.7(a)	Contribution to provident fund		1,923	1,686
Ind AS 19.135	Expenses related to post-employment defined benefit plans	27	563	649
	Expenses related to compensated absences		26	12
Ind AS 102.51(a),(b)	Share based payments			
	Equity-settled	28	755	250
	Cash-settled	28	440	350
Sch III.II. GI.7(a)	Staff welfare expense		65	61
	Termination benefits	30	350	450
			22,342	**19,606**

12. Finance costs

See accounting policy in Note 3(u).

In thousands of INR

		Note	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 107.20(b)	Interest expense on financial liabilities measured at amortised cost		1,165	1,299
Sch III.II.GI.4(b)	Dividends on redeemable preference shares classified as financial liabilities measured at amortised cost (including related dividend distribution tax)		75	-
Ind AS 37.84(e)	Unwinding of discount on site restoration provision	30	60	55
	Fair value changes on interest rate swaps designated as cash flow hedges		2	4
	Reclassification of amount recognised in cost of hedging		2	1
	Finance cost on finance lease obligations		262	233
			1,566	**1,592**

Notes to the consolidated financial statements (continued)

13. Income tax[1]

See accounting policy in Note 3 (s).

A. Amounts recognised in profit or loss[2]

In thousands of INR

		Year ended 31 March 2017	Year ended 31 March 2016
	Current tax		
Ind AS 12.80(a)	Current period (a)	145	1,225
Ind AS 12.80(b)	Changes in estimates related to prior years (b)	97	(34)
	***Deferred tax* (c)**		
	Attributable to–		
Ind AS 12.80(c)	Origination and reversal of temporary differences	2,338	844
Ind AS 12.80(d)	Reduction in tax rate	(15)	-
Ind AS 12.80(g)	Change in unrecognised deductible temporary differences	13	5
Ind AS 12.80(f)	Recognition of previously unrecognised tax losses	(50)	(240)
		2,286	609
	Tax expense of continuing operations (a)+(b)+(c)	**2,528**	**1,800**

Tax expense of continuing operations does not include the following:

	In thousands of INR	***Note***	Year ended 31 March 2017	Year ended 31 March 2016
Ind AS 12.81(h)(ii)	Tax income from discontinued operation*	*5*	(25)	(44)
Ind AS 12.81(h)(i)	Tax expense on gain on sale of discontinued operation*	*5*	330	-

*Both of these have been included in determination of profit (loss) from discontinued operation, net of tax (see Note 5).

Ind AS 10.22(h), Ind AS 12.81(d), 88

In March 2017, a new corporate tax law was enacted in France. Consequently, as of 1 October 2017, the corporate tax rate in France will be reduced from 30 percent to 29 percent. This change resulted in a gain of INR 15 thousand related to the re-measurement of deferred tax assets and liabilities of the Group's French subsidiary, Baguette S.A., being recognised during the year ended 31 March 2017. In addition, on 23 June 2017, an increase in the Netherlands corporate tax rate from 25 percent to 30 percent was substantively enacted, effective from 1 April 2018. This increase does not affect the amounts of current or deferred income taxes recognised at 31 March 2017. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate was applied to calculate taxable temporary differences and tax losses recognised as at 31 March 2017, the effect would be that net deferred tax assets would increase by INR 27 thousand.

[1] The tax rates disclosed or applied throughout this publication to calculate the tax amounts are for illustrative purposes only and do not reflect the corporate tax rates in the respective jurisdictions. In practice, the applicable tax rates of the respective entities need to be used.

[2] The Group has allocated the entire amount of current income tax related to cash contributions to funded post-employment benefit plans to profit or loss because the cash contributions relate primarily to current service costs. In our view, the allocation of the current income tax effect to profit or loss and OCI should reflect the nature of the cash contribution, unless it is impracticable to identify whether the cost to which the funding relates affects profit or loss or OCI. We believe that a number of allocation approaches are acceptable if the nature of the cash contribution is unclear.

Notes to the consolidated financial statements (continued)

13. Income tax (continued)

Ind AS 12.81(ab)

B. Income tax recognised in other comprehensive income

In thousands of INR

		31 March 2017			31 March 2016		
		Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Ind AS 1.90	Exchange differences in translating financial statements of foreign operations	501	-	501	330	-	330
Ind AS 1.90	Net loss on hedge of net investment in foreign operation	(3)	-	(3)	(8)	-	(8)
Ind AS 1.90	Effective portion of gains/(losses) on hedging instruments in cash flow hedges	(93)	31	(62)	67	(23)	44
Ind AS 1.90	Fair value of equity investments through OCI	199	(66)	133	94	(30)	64
Ind AS 1.90	Fair value of debt investments through OCI	(9)	2	(7)	94	(30)	64
Ind AS 1.90	Cost of hedging	(42)	15	(27)	(12)	3	(9)
Ind AS 1.90	Remeasurements of defined benefit liability (asset)	133	(44)	89	134	(44)	90
		686	**(62)**	**624**	**699**	**(124)**	**575**

Ind AS 12.81(a)

C. Income tax recognised directly in equity

In thousands of INR

	31 March 2017			31 March 2016		
	Before Tax	Tax	Net of tax	Before Tax	Tax	Net of tax
Temporary difference arising from convertible debentures	163	(54)	109	-	-	-
	163	**(54)**	**109**	**-**	**-**	**-**

Notes to the consolidated financial statements (continued)

13. Income tax (continued)

Ind AS 12.81(c)

D. Reconciliation of effective tax rate[1]

In thousands of INR

	31 March 2017		31 March 2016	
Profit before tax		9,057		5,713
Tax using the Company's domestic tax rate	33.00%	2,989	33.00%	1,885
Effect of:				
Differences in tax rates in foreign jurisdictions*	(0.43%)	(39)	2.31%	132
Share of profit of equity accounted investees	(1.70%)	(154)	(3.39)%	(194)
Higher tax rate on gain on sale of discontinued operation	0.56%	51	-	-
Reduction in tax rate	(0.17%)	(15)	-	-
Non-deductible expenses	1.65%	149	1.86%	106
Tax exempt income	(0.87%)	(79)	-	-
Tax incentives	(1.59%)	(144)	(0.54%)	(31)
Recognition of previously unrecognised tax losses [13(H)]	(0.55%)	(50)	(4.20%)	(240)
Current year losses for which no deferred tax asset was recognised	0.17%	15	2.22%	127
Change in unrecognised temporary differences	0.14%	13	0.09%	5
Changes in estimates related to prior years	1.07%	97	(0.60%)	(34)
Effective tax rate	**31.28%**	**2,833**	**30.75%**	**1,756**

Ind AS 12.81(d)

*A subsidiary acquired in during the year ended 31 March 2017 (see Note 7) operates in a tax jurisdiction with lower tax rates.

Ind AS 12.81 (c), 85

[1] A Group's reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users. In this example, the reconciliation is based on the parent's domestic tax rate, with a reconciling item in respect of tax rates applied by the Group entities in other jurisdictions. However, in some cases it might be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.

In these illustrative financial statements, both a numerical reconciliation between total income tax expense and the product of accounting profit multiplied by the applicable tax rates, and a numerical reconciliation between the average effective tax rates and the applicable tax rate is disclosed. An entity explains the relationship using either or both of such numerical reconciliations, and also discloses the basis on which the applicable tax rate is computed.

Notes to the consolidated financial statements (continued)

13. Income tax (continued)

E. Recognised deferred tax assets and liabilities

Ind AS 12.81(g)(i)

Deferred tax assets and liabilities are attributable to the following:

In thousands of INR	Deferred tax (assets)		Deferred tax liabilities		Net deferred tax (asset) liabilities	
	31 March 2017	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**
Property, plant and equipment	(235)	(373)	2,341	843	2,106	470
Intangible assets	(61)	(94)	824	495	763	401
Biological assets	-	-	345	127	345	127
Investment property	-	-	118	117	118	117
Investments at fair value through profit or loss	-	-	327	188	327	188
Investments at fair value through OCI	(7)	-	(124)	(60)	(131)	(60)
Derivatives	(9)	(4)	212	155	203	151
Inventories	(83)	(41)	-	-	(83)	(41)
Borrowings	-	-	136	-	136	-
Equity settled share-based payment transactions	(583)	(317)	-	-	(583)	(317)
Provisions - employee benefits	-	-	(8)	110	(8)	110
Provisions - others	(557)	(528)	-	-	(557)	(528)
Other items	(74)	(213)	-	-	(74)	(213)
Tax losses carried forward	(436)	(386)	-	-	(436)	(386)
Deferred tax (assets) liabilities	**(2,045)**	**(1,956)**	**4,170**	**1,975**	**2,126**	**19**
Offsetting of deferred tax assets and deferred tax liabilities	1,901	580	(1,901)	(580)	-	-
Net deferred tax (assets) liabilities	**(144)***	**(1,376)***	**2,269***	**1,395***	**2,126**	**19**

*In the Consolidated Balance Sheet, the balance of deferred tax assets and deferred tax liabilities is as per the first two columns.

Notes to the consolidated financial statements (continued)

13. Income tax (continued)

E. Recognised deferred tax assets and liabilities (continued)

Ind AS 12.81(g)(ii)

Movement in temporary differences

In thousands of INR	Balance as at 1 April 2015	Recognised in profit or loss during 2015-16	Recognised in OCI during 2015-16	Balance as at 31 March 2016	Recognised in profit or loss during 2016-17	Recognised in equity during 2016-17	Recognised in OCI during 2016-17	Acquired in business combination during 2016-17 (Note 7)	Included in discontinued operation (Note 5) and disposal group held for sale during 2016-17 (Note 6)	Balance as at 31 March 2017
Property, plant and equipment	(320)	790	-	470	1,811	-	-	35	(210)	2,106
Intangible assets	98	303	-	401	324	-	-	38	-	763
Biological assets	106	21	-	127	218	-	-	-	-	345
Investment property	115	2	-	117	1	-	-	-	-	118
Investments at fair value through profit or loss	131	57		188	139	-	-	-	-	327
Investments at fair value through OCI	-	-	(60)	(60)	(7)	-	(64)	-	-	(131)
Derivatives	163	8	(20)	151	6	-	46	-	-	203
Inventories	(34)	(7)	-	(41)	(5)	-	-	3	(40)	(83)
Borrowings	-	-		-	73	54	-	9	-	136
Equity settled share-based payment	(211)	(106)	-	(317)	(266)	-	-	-	-	(583)
Provisions - employee benefits	194	(40)	(44)	110	(74)	-	(44)	-	-	(8)
Provisions - others	(438)	(90)	-	(528)	(23)	-	-	(6)	-	(557)
Other items	(124)	(89)	-	(213)	139	-	-	-	-	(74)
Tax losses carried-forward	(146)	(240)	-	(386)	(50)	-	-	-	-	(436)
	(466)	**609**	**(124)**	**19**	**2,286**	**54**	**(62)**	**79**	**(250)**	**2,126**

Notes to the consolidated financial statements (continued)

13. Income tax (continued)

F. Unrecognised deferred tax liabilities[1]

Ind AS 12.81(f), 87

At 31 March 2017 a deferred tax liability of INR 150 thousand (31 March 2016: INR 86 thousand) in respect of temporary differences of INR 500 thousand (31 March 2016: INR 287 thousand) related to an investment in a subsidiary has not been recognised because the Group controls the dividend policy of its subsidiaries i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future

Ind AS 12.82A

In some of the countries in which the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. At 31 March 2017 the resultant total tax exempt reserves amount to INR 600 thousand (31 March 2016: INR 540 thousand) which would result in a tax liability of INR 198 thousand (31 March 2016: INR 178 thousand) if the subsidiaries pay dividends from these reserves.

Ind AS 12.81(e)

G. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

In thousands of INR	31 March 2017		31 March 2016	
	Gross amount	**Unrecognised tax effect[2]**	**Gross amount**	**Unrecognised tax effect[51]**
Deductible temporary differences	103	34	200	66
Tax losses	272	90	653	215
	375	**124**	**853**	**281**

The tax losses expire in 2021-23. The deductible temporary differences do not expire under current tax legislation.

Ind AS 12.81(f), 87

[1] In addition to the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements for which deferred tax liabilities have not been recognised, the Group has also provided the encouraged disclosure of the amounts of unrecognised deferred tax liabilities. **This disclosure is provided only for illustrative purposes and not mandatory.**

Ind AS 12.81(e)

[2] Although Ind AS 12 only requires the disclosure of the amount of deductible temporary differences and unused tax losses (and unused tax credits) for which no deferred tax asset has been recognised, the Group has also disclosed their respective tax effects. **This disclosure is for illustrative purposes only and not mandatory**.

Notes to the consolidated financial statements (continued)

13. Income tax (continued)

H. Tax losses carried forward

Ind AS 12.81(e)

Tax losses for which no deferred tax asset was recognised expire as follows.

In thousands of INR

	31 March 2017	Expiry date	31 March 2016	Expiry date
Expire	272	2021-23	501	2016-23
Never expire	-	-	152	-

In 2016-17, the Group's subsidiary in France, Baguette S.A., successfully launched a new type of paper and entered into a number of long-term supply contracts. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of INR 152 thousand of previously unrecognised tax losses (tax impact: INR 50 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used.

Ind AS 1.129

In 2015-16, the Group's Danish subsidiary, Mermaid A/S, launched a new production line that would allow it to reduce costs significantly going forward and improve profitability. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of INR 727 thousand of previously unrecognised tax losses (tax impact: INR 240 thousand) because management considered it probable that future taxable profits would be available against which such losses can be used. In 2016-17, Mermaid A/S achieved its planned profitability; therefore, management continues to consider it probable that future taxable profits would be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised.

In 2016-17, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of INR 72 thousand, increasing cumulative tax losses to INR 272 thousand (2015-16: INR 501 thousand). Management has determined that the recoverability of cumulative tax losses, which expire in 2021–23, is uncertain due to surplus capacity/supply depressing paper prices in Romania. Based on the five year business plan and taking into account the reversal of existing taxable temporary differences, Lei Sure Limited is not expected to generate taxable profits until 2021. However, if paper prices improve more quickly than forecast or new taxable temporary differences arise in the next financial year, then additional deferred tax assets and a related income tax benefit of up to INR 90 thousand could be recognised.

Notes to the consolidated financial statements (continued)

Ind AS 16.73(d), (e) **14. Property, plant and equipment and capital work-in-progress**

See accounting policies in Note 3(f) and (u).

A. Reconciliation of carrying amount

	In thousands of INR	*Note*	Land	Buildings	Plant and equipment	Fixtures and fittings	Total (A)	Capital work-in-progress (B)	Total (A+B)
	Cost or deemed cost (gross carrying amount)								
Ind AS 16.73(d)	Balance at 1 April 2015		1,200	5,435	23,952	4,350	34,937	-	34,937
Ind AS 16.73(e)(i)	Additions		-	193	1,540	675	2,408	-	2,408
Ind AS 16.73(e)(ii)	Disposals		-	-	(1,081)	-	(1,081)	-	(1,081)
Ind AS 16.73(e)(viii)	Exchange differences on translation of foreign operations		-	-	316	171	487	-	487
Ind AS 16.73(d)	**Balance at 31 March 2016**		**1,200**	**5,628**	**24,727**	**5,196**	**36,751**	**-**	**36,751**
Ind AS 16.73(d)	Balance at 1 April 2016		1,200	5,628	24,727	5,196	36,751	-	36,751
Ind AS 16.73(e)(iii)	Acquisitions through business combinations	*7*	-	185	1,580	190	1,955	-	1,955
Ind AS 16.73(e)(i), 74(b)	Other additions		-	1,750	9,544	657	11,951	4,100	16,051
Ind AS 16.73(e)(ix)	Offset on transfer of building to investment property		-	(144)	-	-	(144)	-	(144)
Ind AS 16.73(e)(ix)	Offset on reclassification of building as investment property	*17*	-	(500)	-	-	(500)	-	(500)
Ind AS 16.73(e)(ii)	Reclassification to assets as held for sale as part of disposal group	*6*	-	-	(9,222)	-	(9,222)	-	(9,222)
Ind AS 16.73(e)(ii)	Disposals[1]		-	-	(11,972)	(2,100)	(14,072)	-	(14,072)
Ind AS 16.73(e)(viii)	Exchange differences on translation of foreign operations		-	-	91	50	141	-	141
Ind AS 16.73(d)	**Balance at 31 March 2017**		**1,200**	**6,919**	**14,748**	**3,993**	**26,860**	**4,100**	**30,960**

[1] If any disposals have been made through demerger, they may be disclosed separately from other disposals.

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment and capital work-in-progress (continued)

A. Reconciliation of carrying amount (continued)

	In thousands of INR	*Note*	Land	Buildings	Plant and equipment	Fixtures and fittings	Total (A)	Capital work-in-progress (B)	Total (A+B)
	Accumulated depreciation and impairment losses								
Ind AS 16.73(e)(vii)	Depreciation for the year		-	123	4,240	759	5,122	-	5,122
Ind AS 16.73(e)(v)	Impairment loss		-	-	1,123	-	1,123	-	1,123
Ind AS 16.73(e)(ii)	Disposals		-	-	(700)	-	(700)	-	(700)
Ind AS 16.73(e)(viii)	Exchange differences on translation of foreign operations		-	-	98	59	157	-	157
Ind AS 16.73(d)	**Balance at 31 March 2016**		**-**	**123**	**4,761**	**818**	**5,702**	**-**	**5,702**
Ind AS 16.73(d)	Balance at 1 April 2016		-	123	4,761	818	5,702	-	5,702
Ind AS 16.73(e)(vii)	Depreciation for the year		-	120	4,140	741	5,001	-	5,001
Ind AS 16.73(e)(vi)	Reversal of impairment loss		-	-	(393)	-	(393)	-	(393)
Ind AS 16.73(e)(ix)	Offset on reclassification of building as investment property	*17*	-	(144)	-	-	(144)	-	(144)
Ind AS 16.73(e)(ii)	Reclassification to assets as held for sale as part of disposal group	*6*	-	-	(1,058)	-	(1,058)	-	(1,058)
Ind AS 16.73(e)(ii)	Disposals[1]		-	-	(3,808)	(1,127)	(4,935)	-	(4,935)
Ind AS 16.73(e)(viii)	Exchange differences on translation of foreign operations		-	-	63	38	101	-	101
Ind AS 16.73(d)	**Balance at 31 March 2017**		**-**	**99**	**3,705**	**470**	**4,274**	**-**	**4,274**
Ind AS 1.78(a), Sch III.I. 6.AI(iii)	**Carrying amounts (net)**								
	At 1 April 2015		1,200	5,435	23,952	4,350	34,937	-	34,937
	At 31 March 2016/ 1 April 2016		**1,200**	**5,505**	**19,966**	**4,378**	**31,049**	**-**	**31,049**
	At 31 March 2017		**1,200**	**6,820**	**11,043**	**3,523**	**22,586**	**4,100**	**26,686**

[1] If any disposals have been made through demerger, they may be disclosed separately from other disposals.

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment and capital work-in-progress (continued)

B. Impairment loss and subsequent reversal

Ind AS 36.126(a)-(b)

During the year ended 31 March 2016, due to regulatory restrictions imposed on a new product in the American paper manufacturing and distribution division, the Group tested the related product line for impairment and recognised an impairment loss of INR 1,123 thousand with respect to plant and equipment. During the current year INR 393 thousand of the loss was reversed. See Notes 15 and 39 for further details of the impairment loss and subsequent reversal.

C. Plant and equipment held under finance leases

Ind AS 17.31(a), (e)

The Group has acquired production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at the end of lease term at a beneficial price. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as such based on its terms and conditions. The leased equipment secures related lease obligations (see Note 26). The gross and net carrying amounts of plant and equipment acquired under finance leases and included in above are as follows:

Sch III. I. 6.AI(ii)

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Cost or deemed cost	2,844	2,775	1,762
Accumulated depreciation	(1,198)	(776)	-
Net carrying amount	**1,646**	**1,999**	**1,762**

D. Security

Ind AS 16.74(a)

As at 31 March 2017, properties with a carrying amount of INR 11,318 thousand (31 March 2016: INR 7,088 thousand; 1 April 2015: INR 7,455 thousand) are subject to first charge to secure bank loans (see Note 26).

E. Capital work-in-progress

Ind AS 16.74(b)

During the year ended 31 March 2017 the Group acquired land with the intention of constructing a new factory on the site. The cost of acquisition was INR 3,100 thousand. The Group commenced construction of the new factory; costs incurred up to the reporting date totaled INR 1,000 thousand. Such amounts include capitalised borrowing costs.

Ind AS 23.26

At 31 March 2017, capitalised borrowing costs related to the acquisition of land and the construction of the new factory amounted to INR 194 thousand, with a capitalisation rate of 5.2 percent.

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment and capital work-in-progress (continued)

F. Reclassification to investment property

During the year ended 31 March 2017, a building was reclassified as investment property (see Note 17), because it was no longer used by the Group and it was decided that the building would be leased to a third party.

G. Changes in estimates

Ind AS 8.39, Ind AS 16.76

During the year ended 31 March 2017, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain items of property, plant and equipment. Certain dye equipment, which management previously intended to sell after five years of use, is now expected to remain in use for twelve years from the date of purchase. As a result the expected useful lives of these assets increased and their estimated residual values decreased. The effect of these changes on depreciation expense in current and future periods is as follows[1]:

In thousands of INR

	2016-17	2017-18	2018-19	2019-20	2020-21	Later years
(Decrease) increase in depreciation expense	(256)	(113)	150	150	130	170

Ind AS 8.40 [1] If the amount of the effect in subsequent periods is not disclosed because estimating it is impracticable, then the entity discloses that fact.

Notes to the consolidated financial statements (continued)

15. Intangible assets

See accounting policies in Notes 3(g), (k)(ii) and (u).

A. Reconciliation of carrying amount

In thousands of INR

Ind AS 38.118(c), (e)		*Note*	Goodwill	Patents and trademarks	Formulae and designs	Service concession	Total
	Cost or deemed cost						
Ind AS 103.B67(d)(i), Ind AS 38.118(c)	Balance at 1 April 2015		3,407	712	1,310	-	5,429
Ind AS 38.118(e)(i)	Additions – internally developed		-	-	515	-	515
Ind AS 38.118(e)(vii)	Exchange differences on translation of foreign operations		-	(171)	(75)	-	(246)
Ind AS 103.B67(d)(viii), Ind AS 38.118(c)	**Balance at 31 March 2016**		**3,407**	**541**	**1,750**	**-**	**5,698**
Ind AS 103.B67(d)(i), Ind AS 38.118(c)	Balance at 1 April 2016		3,407	541	1,750	-	5,698
Ind AS 103.B67(d)(ii), Ind AS 38.118(e)(i)	Acquisitions through business combinations	*7*	237	250	-	-	487
Ind AS 38.118(e)(i)	Service concession	*37*	-	-	-	95	95
Ind AS 38.118(e)(i)	Other additions – internally developed		-	-	1,272	-	1,272
Ind AS 38.118(e)(vii)	Exchange differences on translation of foreign operations		-	186	100	-	286
Ind AS 103.B67(d)(viii), Ind AS 38.118(c)	**Balance at 31 March 2017**		**3,644**	**977**	**3,122**	**95**	**7,838**
	Accumulated amortisation and impairment losses						
Ind AS 38.118(e)(vi)	Amortisation for the year		-	118	677	-	795
Ind AS 38.118(e)(iv)	Impairment loss		-	-	285	-	285
Ind AS 38.118(e)(vii)	Exchange differences on translation of foreign operations		-	(31)	(12)	-	(43)
Ind AS 103.B67(d)(viii), Ind AS 38.118(c)	**Balance at 31 March 2016**		**-**	**87**	**950**	**-**	**1,037**
Ind AS 103.B67(d)(i), Ind AS 38.118(c)	**Balance at 1 April 2016**		**-**	**87**	**950**	**-**	**1,037**
Ind AS 38.118(e)(vi)	Amortisation for the year		-	139	641	5	785
Ind AS 38.118(e)(iv)	Impairment loss		116	-	-	-	116
Ind AS 38.118(e)(v)	Reversal of impairment loss		-	-	(100)	-	(100)
Ind AS 38.118(e)(vii)	Exchange differences on translation of foreign operations		-	61	17	-	78
Ind AS 103.B67(d)(viii), Ind AS 38.118(c)	**Balance at 31 March 2017**		**116**	**287**	**1,508**	**5**	**1,916**
	Carrying amount (net)						
Ind AS 38.118(c)	At 1 April 2015		3,407	712	1,310	-	5,429
Ind AS 38.118(c)	**At 31 March 2016/1 April 2016**		**3,407**	**454**	**800**	**-**	**4,661**
Ind AS 38.118(c)	**At 31 March 2017**		**3,528**	**690**	**1,614**	**90**	**5,922**

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

B. Impairment

See accounting policy in Note 3(k)(ii).

Ind AS 36.131(b)

An impairment loss and its subsequent reversal were recognised in relation to the manufacture of a new product in the Standard Papers segment and the goodwill in the Timber Products CGU as follows:

In thousands of INR

		Note	31 March 2017	31 March 2016
Ind AS 36.130(d)(ii)	**Standard Papers**			
	Plant and equipment and formulae and designs	*(ii)*	(493)	1,408
Ind AS 36.130(d)(ii)	**Timber Products**			
	Goodwill	*(iii)*	116	-
	(Reversal of) impairment loss		**(377)**	**1,408**

Ind AS 36.126(a), (b)

The net reversal of impairment loss has been included in other income [2015-16: net impairment loss included in other expenses]

Ind AS 36.132

i. Impairment testing for CGUs not containing goodwill - Recoverability of development costs[1]

Included in the carrying amount of formulae and designs at 31 March 2017 is an amount of INR 400 thousand related to a development project for a new process in one of the Group's factories in the Standard Papers segment. The regulatory approval that would allow this new process has been delayed; consequently, the benefit of the new process will not be realised as soon as previously expected and management has therefore carried out an impairment test.

Ind AS 1.125, 129

The recoverable amount of the cash-generating unit (the factory using the process) is estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use), assuming that the regulatory approval would be available by July 2017 and using a pre-tax discount rate of 12 percent and terminal value growth rate of 2 percent from 2021-22. The recoverable amount is estimated to be higher than the carrying amount of the unit, and consequently, no impairment is required. Currently the Group is confident that the regulatory approval will be available during the second half of 2017. However, it is possible that the regulatory approval gets delayed by a year to July 2018; such further delay of a year would result in impairment of approximately INR 100 thousand in the carrying amount of the factory.

ii. Impairment loss and subsequent reversal

Ind AS 36.130(a), (d)(i)

During the year ended 31 March 2016, a regulatory inspection revealed that a new production in the Standard Papers segment did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2016-17; however, as a result of the regulatory restrictions, production and the expected launch date were deferred.

Ind AS 36.130(e)

Accordingly, management estimated the recoverable amount of the CGU (the production line) in 2015-16 and recognised an impairment loss. The recoverable amount was estimated based on CGU's value in use, assuming that the production line would go live in August 2017.

Ind AS 36.132, 134

[1] The Group has disclosed the key assumptions used (discount rate and terminal growth rate) to determine the recoverable amount of assets and CGUs, although disclosures beyond the discount rate are required only for CGUs containing goodwill or indefinite-lived intangible assets.

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

B. Impairment (continued)

ii. Impairment loss and subsequent reversal (continued)

In 2016-17, following certain changes to the recovery plan, the Group has reassessed its estimates and reversed a part of the initially recognised impairment.

Ind AS 36.130(g), 132

The estimate of value in use has been determined using a pre-tax discount rate of 10.5 percent (31 March 2016: 9.8 percent) and a terminal value growth rate of 3 percent from 2022-23 (31 March 2016: 3 percent from 2021-22)[1].

Ind AS 36.126(a), (b), 130(b), (d)(ii)

The impairment loss and its subsequent reversal have been allocated pro rata to the individual assets constituting the production line as follows:

In thousands of INR

	Note	31 March 2017	31 March 2016
Plant and equipment	*14*	(393)	1,123
Formulae and designs		(100)	285
		(493)	**1,408**

Ind AS 36.130(e)

The recoverable amount of the CGU as at 31 March 2017 is INR 1,576 thousand (31 March 2016: INR 1,083 thousand).

Ind AS 36.132, 134

[1] The Group has disclosed the key assumptions used (discount rate and terminal growth rate) to determine the recoverable amount of assets and CGUs, although disclosures beyond the discount rate are required only for CGUs containing goodwill or indefinite-lived intangible assets.

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

B. Impairment (continued)

iii. Impairment testing for cash-generating units containing goodwill[1]

Ind AS 36.134(a)

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
European Paper manufacturing and distribution	2,372	2,135	2,135
Timber products	960	1,076	1,076
	3,332	3,211	3,211
Multiple units without significant goodwill	196	196	196
	3,528	**3,407**	**3,407**

Ind AS 36.135

European Paper manufacturing and distribution

Ind AS 36.134(c), (e)

The recoverable amount of this CGU is based on fair value less costs to sell, estimated using discounted cash flows. The fair value measurement has been categorised as Level 3 fair value based on the inputs to the valuation technique used (refer Note 2(E)).

Ind AS 36.134(e)(i)

The key assumptions[2] used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Ind AS 36.134(f)(ii)

Ind AS 36.134(e)(v)

Ind AS 36.134(e)(iv)

Ind AS 36.134(e)(i)

(in percent)	31 March 2017	31 March 2016	1 April 2015
Discount rate	8.7	8.5	8.4
Terminal value growth rate	1	0.9	0.8
Budgeted EBITDA growth rate	5.2	4.8	5.0

Ind AS 36.134(e)(ii)

The discount rate is a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 40percent at a market interest rate of 7percent.

Ind AS 36.134(e)(ii)–(iii)

The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Ind AS 36.134

1 The Group has provided separate disclosures for different CGUs containing goodwill. Such separate disclosures are required for each CGU for which the carrying amount of goodwill or intangible assets with an indefinite useful life allocated to the CGU is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.

Ind AS 36.134, (d)(iv)–(v), (e)(iv)–(v), (f)

2 Ind AS 36, *Impairment of Assets* specifically requires quantitative disclosures (i.e. values) in respect of the discount rates and growth rates used to extrapolate cash flow projections. Narrative disclosures are sufficient for other key assumptions unless a reasonably possible change in the assumption would result in an impairment; in that case, the value of the assumption is required to be disclosed.

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

B. Impairment (continued)

iii. Impairment testing for cash-generating units containing goodwill (continued)

Ind AS 36.134(e)(ii)

Budgeted EBITDA has been estimated taking into account past experience, adjusted as follows:

- Revenue growth has been projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It has been assumed that the sales price would increase in line with forecast inflation over the next five years.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in two countries in which the CGU operates. Other environmental costs are assumed to grow in line with inflation in other years.
- Estimated cash flows related to a restructuring that is expected to be carried out in 2017-18 have been reflected in the budgeted EBITDA.

Ind AS 36.134(f)(i)

The estimated recoverable amount of the CGU exceeds its carrying amount by approximately INR 300 thousand (31 March 2016: INR 250 thousand). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

		Changes required for recoverable amount to equal carrying amount	
	(in percent)	**31 March 2017**	**31 March 2016**
Ind AS 36.134(f)(iii)	Discount rate	1.6	1.3
Ind AS 36.134(f)(iii)	Budgeted EBITDA growth rate	(4.4)	(3.6)

Timber products

Ind AS 36.134(c), (d)

The recoverable amount of the Timber products cash-generating unit is based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the unit has been determined to be higher than its recoverable amount and an impairment loss of INR 116 thousand (31 March 2016: Nil; 1 April 2015: Nil) has been recognised. The impairment loss has been allocated fully to goodwill, and is included in other expenses.

Ind AS 1.125, 36.134(d)

Value in use has been determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2016-17 has been determined similarly as in 2015-16. The calculation of the value in use is based on the following key assumptions:

	(in percent)	**31 March 2017**	**31 March 2016**	**1 April 2015**
Ind AS 36.134(d)(v)	Discount rate	8.6	9	9.2
Ind AS 36.134(d)(iv)	Terminal value growth rate	5	5	5
Ind AS 36.134(d)(i)	Budgeted EBITDA growth rate	8	9	8.9

Ind AS 36.134(d)(ii)

The discount rate is a pre-tax measure based on the rate of 10 year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Ind AS 36.134(d)(ii)–(iii)

Five years of cash flows have been included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product (GDP) growth rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Notes to the consolidated financial statements (continued)

15. Intangible assets (continued)

B. Impairment (continued)

iii. Impairment testing for cash-generating units containing goodwill (continued)

Budgeted EBITDA has been based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth has been projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It has been assumed that sales prices would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

Following the impairment loss recognised in the Group's Timber Products CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

C. Formulae and designs

Ind AS 23.26

Cost of formulae and designs includes an amount of INR 37 thousand (31 March 2016: INR 20 thousand) that represents borrowing costs capitalised during the period using a capitalisation rate of 5.1 % (31 March 2016: 5 %).

Notes to the consolidated financial statements (continued)

16. Biological assets other than bearer plants

See accounting policy in Note 3(h).

Sch III.I .GI.6.A.V.

A. Reconciliation of carrying amount

In thousands of INR

Reference		Note	Standing timber	Livestock	Total
Ind AS 41.50, Ind AS 113.93(e)	Balance at 1 April 2015		7,672	800	8,472
Ind AS 41.50(b), Ind AS 113.93(e)(iii)	New plantations		415	-	415
Ind AS 41.50(b), Ind AS 113.93(e)(iii)	Purchases of livestock		-	22	22
Ind AS 41.50(c), Ind AS 113.93(e)(iii)	Sales of livestock		-	(63)	(63)
Ind AS 41.50(d), Ind AS 113.93(e)(iii)	Harvested timber transferred to inventories		(168)	-	(168)
Ind AS 41.40, 50(a)	Change in fair value less estimated costs to sell[1]				
Ind AS 41.51	- Due to price changes	*9*	20	15	35
Ind AS 41.51	- Due to physical changes	*9*	15	15	30
Ind AS 41.50(f)	Exchange differences on translation of foreign operations		68	45	113
Ind AS 41.50	**Balance at 31 March 2016**		**8,022**	**834**	**8,856**
	Non-current		8,022	694	8,716
	Current		-	140	140
			8,022	**834**	**8,856**
Ind AS 41.50	Balance at 1 April 2016		8,022	834	8,856
Ind AS 41.50(b), Ind AS 113.93(e)(iii)	New plantations		294	-	294
Ind AS 41.50(b), Ind AS 113.93(e)(iii)	Purchases of livestock		-	11	11
Ind AS 41.50(c), Ind AS 113.93(e)(iii)	Sales of livestock		-	(127)	(127)
Ind AS 41.50(d), Ind AS 113.93(e)(iii)	Harvested timber transferred to inventories		(2,480)	-	(2,480)
Ind AS 41.40, 50(a)	Change in fair value less estimated costs to sell[1]				
Ind AS 41.51	- Due to price changes	*9*	250	169	419
Ind AS 41.51	- Due to physical changes	*9*	231	11	242
Ind AS 41.50(f)	Exchange differences on translation of foreign operations		30	14	44
Ind AS 41.50	**Balance at 31 March 2017**		**6,347**	**912**	**7,259**
	Non-current		6,347	667	7,014
	Current		-	245	245
			6,347	**912**	**7,259**

Ind AS 41.51 [1]An entity is encouraged, but not required, to disclose the break-up of changes in fair value less estimated costs to sell between that due to price changes and that due to physical changes.

Notes to the consolidated financial statements (continued)

16. Biological assets other than bearer plants (continued)

A. Reconciliation of carrying amount (continued)

Ind AS 41.41,43, 46(b)(i), (ii)

At 31 March 2017 standing timber comprises approximately 3,270 hectares of pine tree plantations (31 March 2016: 4,360 hectares), which range from newly established plantations to plantations that are 30 years old. During the year, the Group harvested approximately 74,242 tonnes of wood (31 March 2016: 5,295 tonnes), which had a fair value less costs to sell of INR 2,480 thousand at the date of harvest (31 March 2016: INR 168 thousand) [1].

Ind AS 41.41,43, 46(b)(i), (ii)

At 31 March 2017 livestock held for sale comprised 1,875 cattle and 3,781 sheep (31 March 2016: 2,160 cattle and 4,010 sheep). During the year the Group sold 279 cattle and 286 sheep (31 March 2016: 150 cattle and 175 sheep) [1].

B. Measurement of fair values

i. Fair value hierarchy

Ind AS 113.93(b)

The fair value measurements for the standing timber have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. The fair value measurements of livestock have been categorised as Level 2 fair values based on observable market sales data (see Note 2(D)).

ii. Level 3 fair values

The following table shows a breakdown of the total gains (losses) recognised in respect of Level 3 fair values (standing timber)[2].

In thousands of INR

		31 March 2017	31 March 2016
Ind AS 113.93(e)(i)	**Gain included in 'other income'**		
	Change in fair value (realised)	76	7
Ind AS 113.93(f)	Change in fair value (unrealised)	405	28
Ind AS 113.93(e)(ii)	**Gain included in OCI**		
Ind AS 113.93(e)(ii)	Exchange differences on translation of foreign operations	30	68

Ind AS 41.43

[1] This is an example of encouraged disclosures (but not mandatory) providing a quantified description of each group of biological assets, distinguishing between mature and immature biological assets (for standing timber), and about the basis for making such distinctions.

[2] Because the Group classifies the entire category of standing timber as Level 3 in the fair value hierarchy, this table illustrates only those disclosures that are incremental to the information in the reconciliation in Note 16(A).

Notes to the consolidated financial statements (continued)

16. Biological Assets other than bearer plants (continued)

B. Measurement of fair values (continued)

iii. Valuation techniques and significant unobservable inputs

Ind AS113.93(d), 93(h), 99

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values and significant unobservable inputs used in Level 3 fair value measurements.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 25 years (the age at which it becomes marketable)	*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for [x] years. The expected net cash flows are discounted using a risk adjusted discount rate.	- Estimated future timber market prices per tonne (31 March 2017: INR 12.8–17.9, weighted average INR 16.25; 31 March 2016: INR 11.6–16.3, weighted average INR 15.15). - Estimated yields (in tonnes) per hectare (31 March 2017: 6–10, weighted average 8; 31 March 2016: 5–10, weighted average 7.5). - Estimated harvest and transportation costs (31 March 2017: 6.4– 8.3% of net cash flows weighted average 7.5%; 31 March 2016: 6.3–7.8%, weighted average 6.7%). - Risk-adjusted discount rate (31 March 2017: 7.9–9.0%, weighted average 8.6%; 31 March 2016: 7.1–8.3%, weighted average 7.8%).	The estimated fair value would increase (decrease) if: - the estimated timber prices per tonne were higher (lower); - the estimated yields per hectare were higher (lower); - the estimated harvest and transportation costs were lower (higher); or - the risk-adjusted discount rates were lower (higher).

Notes to the consolidated financial statements (continued)

16. Biological assets other than bearer plants (continued)

B. Measurement of fair values (continued)

iii. Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Younger standing timber	*Cost approach and discounted cash flows:* The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. The cost approach considers the costs of creating a comparable plantation, taking into account the costs of infrastructure, cultivation and preparation, buying and planting young trees with an estimate of the profit that would apply to this activity. Discounted cash flows consider the present value of the net cash flows expected to be generated by the plantation at maturity, the expected additional biological transformation and the risks associated with the asset; the expected net cash flows are discounted using risk-adjusted discount rates.	- Estimated costs of infrastructure per hectare (31 March 2017:INR 0.8–1.1, weighted average INR 0.95; 31 March 2016: INR 0.8–1.2, weighted average INR 0.97). - Estimated costs of cultivation and preparation per hectare (31 March 2017: INR 0.2–0.4, weighted average INR 0.3; 31 March 2016: INR 0.3–0.4, weighted average INR 0.35). - Estimated costs of buying and planting young trees (31 March 2017: INR 1.0–1.3, weighted average INR 1.25; 31 March 2016: INR 1.1–1.3, weighted average INR 1.2). - Estimated future timber market prices per tonne (31 March 2017: INR 13.8–19.8, weighted average INR 17.05; 31 March 2016: INR 13.7–19.5, weighted average INR 16.6). - Estimated yields (in tonnes) per hectare (31 March 2017: 6–11, weighted average 8.6; 31 March 2016: 7–11, weighted average 8.9). - Risk-adjusted discount rate (31 March 2017: 8.9–9.9%, weighted average 9.4%; 31 March 2016: 9.3–9.9%, weighted average 9.6%).	The estimated fair value would increase (decrease) if: - the estimated costs of infrastructure, cultivation and preparation and buying and planting trees were higher (lower); - the estimated timber prices per tonne were higher (lower); - the estimated yields per hectare were higher (lower); or - the risk-adjusted discount rates were lower (higher).

Notes to the consolidated financial statements (continued)

16. Biological assets other than bearer plants (continued)

B. Measurement of fair values (continued)

iii. Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock Livestock comprises cattle and sheep, characterised as commercial or breeders	*Market comparison technique:* The fair values are based on market prices of livestock of similar age and weight.	Not Applicable	Not Applicable

Ind AS 41.49(c)

C. Risk management strategy related to agricultural activities

The Group is exposed to a number of risks related to its pine tree plantations.

i. Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

ii. Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of pine. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

iii. Climate and other risks

The Group's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group also insures itself against natural disasters such as floods and hurricanes.

Notes to the consolidated financial statements (continued)

17. Investment property[1]

Sch. III.I.GI.6. A.II See accounting policy in Note 3(i).

A. Reconciliation of carrying amount

In thousands of INR

		Note	
	Cost or Deemed Cost (gross carrying amount)		
Ind AS 40.79(d)	Balance as at 1 April 2015		950
Ind AS 40.79(d)	Balance as at 31 March 2016		950
Ind AS 40.79(d)	Balance as at 1 April 2016		950
Ind AS 40.79(d) (i)	Acquisitions		200
Ind AS 40.79(d)(vii)	Transfer from property, plant and equipment	*14*	500
Ind AS 40.79(d)	**Balance as at 31 March 2017**		**1,650**
	Accumulated depreciation		
Ind AS 40.79(d)(iv)	Depreciation for the year ended 31 March 2016		27
Ind AS 40.79(c)	Balance as at 31 March 2016		27
Ind AS 40.79(c)	Balance as at 1 April 2016		27
Ind AS 40.79(d)(iv)	Depreciation for the year ended 31 March 2017		53
Ind AS 40.79(c)	**Balance as at 31 March 2017**		**80**
Ind AS 40.79(d)	**Carrying amounts**		
	At 1 April 2015		950
	At 31 March 2016/1 April 2016		**923**
	At 31 March 2017		**1,570**
Ind AS 40.79(e)	**Fair value**		
	At 1 April 2015		970
	At 31 March 2016		**1,050**
	At 31 March 2017		**2,070**

B. Measurement of fair values

i. Fair value hierarchy

Ind AS 40.75(e) The fair value of investment property has been determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for all of the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2(E)).

[1] Since Ind AS 40 *Investment Property* makes no reference to making disclosures on a class-by-class basis, it could be assumed that the minimum requirement is to make the disclosures on an aggregate basis for the whole investment property portfolio. In our view if investment property represents a significant portion of the assets, it is preferable to disclose additional analysis – e.g. portfolio by types of investment property.

Notes to the consolidated financial statements (continued)

17. Investment property (continued)

B. Measurement of fair values (continued)

ii. Valuation technique

Ind AS 113.97, 99

The Group follows discounted cash flows technique. The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, vacant periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

Ind AS 17.56(c)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See Note 33 for further information. One property has been transferred from property, plant and equipment (see Note 14) to investment property, since the building was no longer used by the Group and as such it was decided that the building would be leased to a third party.

Ind AS 1.122

The Group has sublet a vacated warehouse, but has decided not to treat this property as investment property because it is not the Group's intention to hold it for long-term capital appreciation or rental. Accordingly, the property is still treated as a lease of property, plant and equipment.

Notes to the consolidated financial statements (continued)

18. Equity accounted investees[1]

See accounting policies in Notes 3 (a) (v)-(vi) and (k)(i).

In thousands of INR

	Note	31 March 2017	31 March 2016	1 April 2015
Interest in joint venture	*See (A) below*	2,017	848	663
Interest in associates	*See (B) below*	8	710	477
		2,025	**1,558**	**1,140**

A. Joint venture[2]

Ind AS 112.20(a), 21(a)(i)–(iii), (b)(iii)

Paletel AB (Paletel) is a joint arrangement in which the Group has joint control and a 40% ownership interest. It is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Himmerland, Denmark. Paletel is not publicly listed.

Ind AS 112.7(c), 20(b), 23(a), B18, Ind AS 1.122

Paletel is structured as a separate legal entity and the Group has an interest in the net assets of Paletel. Accordingly, the Group has classified its interest in Paletel as a joint venture. In accordance with the agreement under which Paletel is established, the Group and the other investor in the joint venture have agreed to make additional contributions in proportion to their interests to make up any losses, if required, up to a maximum amount of INR 6,000 thousand. This commitment has not been recognised in these consolidated financial statements.

Ind AS 112.21(b), B12-B14

The following table summarises the financial information of Paletel and the carrying amount of the Group's interest in Paletel.

Ind AS 101, App. D.D31AE

In thousands of INR

Reference		31 March 2017	31 March 2016	1 April 2015
Ind AS 112.21(a)(iv)	**Percentage ownership interest**	**40%**	**40%**	**40%**
Ind AS 112.B12(b)(ii)	Non-current assets	5,953	3,259	3,108
Ind AS 112.B12(b)(i), B13(a)	Current assets (including cash and cash equivalents – 31 March 2017: INR 200 thousand, 31 March 2016: INR 150 thousand, 1 April 2015: INR 100 thousand)	1,348	1,310	1,290
Ind AS 112.B12(b)(iv), B13(c)	Non-current liabilities (non-current financial liabilities other than trade payables and other financial liabilities and provisions – 31 March 2017: INR 1,211 thousand, 31 March 2016: INR 986 thousand, 1 April 2015: INR 842 thousand)	(1,716)	(1,320)	(1,590)
Ind AS 112.B12(b)(iii), B13(b)	Current liabilities (current financial liabilities other than trade payables and other financial liabilities and provisions– 31 March 2017: INR 422 thousand, 31 March 2016: INR 930 thousand, 1 April 2015: INR 975 thousand)	(543)	(1,130)	(1,150)
	Net assets	**5,042**	**2,119**	**1,658**
	Group's share of net assets (40%)	2,017	848	663
	Carrying amount of interest in joint venture[3]	**2,017**	**848**	**663**

Ind AS 112.21 [1] The extent of disclosures required by Ind AS 112, *Disclosure of Interests in Other Entities*, for individually material interests in joint arrangements and associates differs from that for individually immaterial interests.

Ind AS 112.21-23, B12-B13 [2] The extent of disclosures required by Ind AS 112 for individually material joint ventures and joint operations is different. For example, the disclosure of summarised financial information, fair value of venturer's investment in joint arrangement (if there is a quoted market price) and commitments is not required for joint operations.

[3] Ind AS 112.B14 requires separate presentation of goodwill and adjustments (e.g.- unrealised profit on downstream sales) to the investments in associates in the above reconciliation. The Group does not have goodwill or adjustments.

Notes to the consolidated financial statements (continued)

18. Equity accounted investees (continued)

A. Joint venture (continued)

In thousands of INR

		31 March 2017	31 March 2016
Ind AS 112.B12(b)(v)	Revenue	25,796	21,405
Ind AS 112.B13(d)	Depreciation and amortisation	(445)	(350)
Ind AS 112.B13(f)	Interest expense	(396)	(218)
Ind AS 112.B13(g)	Income tax expense	(1,275)	(290)
Ind AS 112.B12(b)(vii)	Profit	2,975	680
Ind AS 112.B12(b)(ix)	Other comprehensive income	-	-
	Total comprehensive income	2,975	680
	Group's share of Profit (40%)	1,190	272
	Group's share of OCI (40%)	-	-
	Group's share of total comprehensive income (40%)[1]	1,190	272

Ind AS 112.B12(a)

In years ended 31 March 2017 and 31 March 2016, the Group did not receive dividends from the joint venture.

B. Associates

Ind AS 112.20(a), 21(a)(i)–(iii), (b)(iii)

On 30 June 2016, the Group's equity interest in its material associate, Papyrus, increased from 25 to 100% and Papyrus became a subsidiary from that date (see Note 7). Papyrus is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Kentucky, United States. Papyrus is not publicly listed.

Ind AS 112.21(b), B12-B14

The following table summarises the financial information of Papyrus as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Papyrus. The information for the year ended 31 March 2016 presented in the table includes the results of Papyrus for the period from 1 April 2015 to 31 March 2016. The information for the year ended 31 March 2017 includes the results of Papyrus only for the period from 1 April 2016 to 30 June 2016, because Papyrus became a subsidiary on 30 June 2016.

In thousands of INR

		31 March 2017*	31 March 2016	1 April 2015
Ind AS 112.21(a)(iv)	**Percentage ownership interest**		25%	25%
Ind AS 112.B12(b)(ii)	Non-current assets	-	1,810	1,620
Ind AS 112.B12(b)(i)	Current assets	-	1,470	1,259
Ind AS 112.B12(b)(iv)	Non-current liabilities	-	(720)	(690)
Ind AS 112.B12(b)(iii)	Current liabilities	-	(670)	(560)
	Net Assets	-	1,890	1,629
	Group's share of net assets (25%)	-	472	407
	Carrying amount of interest in associates[1]	-	472	407

*Papyrus become a wholly-owned subsidiary on 30 June 2016.

[1] Ind AS 112.B14 requires separate presentation of goodwill and adjustments (e.g.- unrealised profit on downstream sales) to the investments in associates in the above reconciliation. The Group does not have goodwill or adjustments.

Notes to the consolidated financial statements (continued)

18. Equity accounted investees (continued)

B. Associates (continued)

In thousands of INR

	1 April 2016 to 30 June 2016	Year ended 31 March 2016
Ind AS 112.B12(b)(v) Revenue	4,375	27,400
Ind AS 112.B12(b)(vii) Profit	424	550
Ind AS 112.B12(b)(ix) Other comprehensive income	-	-
Total comprehensive income	424	550
Group's share of Profit (25%)	106	138
Group's share of OCI (25%)	-	-
Group's share of total comprehensive income (25%)[1]	**106**	**138**

Ind AS 112.7(b), 9(e), Ind AS 1.122

The Group also has interests in a number of individually immaterial associates. For one of these associates, the Group owns 20% of the equity interests but has less than 20% of the voting rights; however, the Group has determined that it has significant influence because it has representation on the board of the investee.

Ind AS 112.21(c), B16

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates.

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Carrying amount of interests in associates	8	238	70
– Share in profit	(829)	177	N.A.
– Share in total comprehensive income[1]	(829)	177	N.A.

Ind AS 112.22(c)

The Group has not recognised losses totalling INR 15 thousand (31 March 2016: Nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

In the years ended 31 March 2017 and 31 March 2016, the Group did not receive dividends from any of its associates.

[1] Ind AS 112.B14 requires separate presentation of goodwill and adjustments (e.g.- unrealised profit on downstream sales) to the investments in associates in the above reconciliation. The Group does not have goodwill or adjustments.

Notes to the consolidated financial statements (continued)

19. Non-controlling interests

See accounting policies in Notes 3(a) (ii)-(iii) and (vi)

Ind AS 112.10(a)(ii), 12, B10–B11

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations

In thousands of INR

31 March 2017	Oy Kossu AB	Windmill N.V.	Maple-leaf Inc	Intra-group eliminations[1]	Total
NCI percentage	**10%**	**25%**	**52%**		
Non-current assets	9,550	7,438	1,550		
Current assets	5,120	1,115	890		
Non-current liabilities	(5,230)	(6,575)	(1,280)		
Current liabilities	(5,084)	(915)	(270)		
Net assets	4,356	1,063	890		
Net assets attributable to NCI	**436**	**266**	**463**	**(35)**	**1,130**
Revenue	10,930	9,540	8,112		
Profit	566	480	377		
OCI	-	-	52		
Total comprehensive income	566	480	429		
Profit allocated to NCI	**57**	**120**	**196**	**3**	**376**
OCI allocated to NCI	**-**	**-**	**27**	**-**	**27**
Total comprehensive income allocated to NCI	**57**	**120**	**223**	**3**	**403**
Cash flows from (used in) operating activities	210	166	(268)		
Cash flows from (used in) investing activities	510	75	-		
Cash flows from (used in) financing activities (dividends to NCI: Nil)	(600)	(320)	-		
Net increase (decrease) in cash and cash equivalents	**120**	**(79)**	**(268)**		

In thousands of INR

31 March 2016	Oy Kossu AB	Windmill N.V.	Maple-leaf Inc	Intra-group eliminations[1]	Total
NCI percentage	**10%**	**40%**	**52%**		
Non-current assets	9,120	7,322	1,394		
Current assets	4,960	1,278	850		
Non-current liabilities	(5,900)	(6,900)	(1,200)		
Current liabilities	(4,390)	(1,047)	(582)		
Net assets	3,790	653	462		
Net assets attributable to NCI	**379**	**261**	**240**	**(38)**	**842**
Revenue	8,660	9,390	6,259		
Profit	150	252	240		
OCI	-	-	42		
Total comprehensive income	150	252	282		
Profit allocated to NCI	**15**	**101**	**125**	**(22)**	**219**
OCI allocated to NCI	**-**	**-**	**22**	**-**	**22**
Total comprehensive income allocated to NCI	**15**	**101**	**147**	**(22)**	**241**

[1] Although it is not required by Ind AS 112, the Group has reconciled the summarised financial information about subsidiaries with material NCI to the total amounts in the financial statements. **This disclosure is voluntary and provided for illustrative purposes only.** There are no individually immaterial subsidiaries. In case of such subsidiaries, the related amounts (net assets attributable to NCI, profit/OCI allocated to NCI) would also be included in the reconciliation, where provided.

Notes to the consolidated financial statements (continued)

19. Non-controlling interests (continued)

In thousands of INR

31 March 2016	Oy Kossu AB	Windmill N.V.	Maple-leaf Inc	Intra-group eliminations[1]	Total
Cash flows from (used in) operating activities	300	115	530		
Cash flows from (used in) investing activities	(25)	(40)	(788)		
Cash flows from (used in) financing activities (dividends to NCI: Nil)	(200)	(50)	190		
Net increase (decrease) in cash and cash equivalents	75	25	(68)		

In thousands of INR

1 April 2015	Oy Kossu AB	Windmill N.V.	Maple-leaf Inc	Intra-group eliminations[1]	Total
NCI percentage	**10%**	**40%**	**52%**		
Non-current assets	8,690	7,206	1,238		
Current assets	4,800	1,441	1,018		
Non-current liabilities	(6,570)	(7,225)	(1,120)		
Current liabilities	(3,780)	(951)	(894)		
Net assets	3,140	471	242		
Net assets attributable to NCI	**314**	**188**	**126**	**(27)**	**601**

[1] Although it is not required by Ind AS 112, the Group has reconciled the summarised financial information about subsidiaries with material NCI to the total amounts in the financial statements. **This disclosure is voluntary and provided for illustrative purposes only.** There are no individually immaterial subsidiaries. In case of such subsidiaries, the related amounts (net assets attributable to NCI, profit/OCI allocated to NCI) would also be included in the reconciliation, where provided.

Notes to the consolidated financial statements (continued)

19. Non-controlling interests (continued)

Additional information pursuant to paragraph 2 of Division II of Schedule III to the Companies Act 2013- 'General instructions for the preparation of consolidated financial statements' of Division II of Schedule III

31 March 2017

In thousands of INR	Net assets (total assets minus total liabilities)		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % consolidated of total comprehensive income	Amount
Parent								
Classic Company (India) Limited	19%	8,102	20%	1,227	0%	-	18%	1,227
Subsidiaries- Foreign (parent's share)								
Oy Kossu AB	9%	3,920	8%	509	0%	-	7%	509
Windmill N. V	2%	797	5%	290	0%	-	4%	290
Maple-leaf Inc	1%	427	3%	181	4%	25	3%	206
Papyrus*	7%	3,522	7%	450	4%	25	7%	475
Baquette	14%	5,671	11%	849	60%	377	18%	1,227
Mermaid A/S	12%	4,861	11%	661	10%	57	10%	717
Lei Sure Limited	10%	4,051	8%	472	15%	94	8%	566
Papier GmbH	8%	3,241	6%	377	0%	-	6%	377
Sloan Bio-Research Co	6%	2,430	5%	283	0%	-	4%	283
MayCo	4%	1,620	2%	94	3%	19	2%	113
Non-controlling interests in all subsidiaries	3%	1,165	6%	373	4%	27	6%	400
Associates (Investment as per the equity method)- Foreign								
Papyrus*	0%	-	2%	106	0%	-	2%	106
Cellulose S.A	0%	-	(4%)	(238)	0%	-	(3%)	(238)
Paper Web SARL	0%	8	(9%)	(591)	0%	-	(9%)	(591)
Joint Ventures(investment as per the equity method) - Foreign								
Paletel AB	5%	2,017	19%	1,190	0%	-	17%	1,190
Eliminations	0%	(105)	0%	(9)	0%	-	0%	(9)
At 31 March 2017	**100%**	**41,727**	**100%**	**6,224**	**100%**	**624**	**100%**	**6,848**

*The status of Papyrus changed from associate to subsidiary on 30 June 2016

Notes to the consolidated financial statements (continued)

19. Non-controlling interests (continued)

31 March 2016

Name of the entity in the Group *In thousands of INR*	Net assets (total assets minus total liabilities)		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	**Amount**	**As % of consolidated profit or loss**	**Amount**	**As % of consolidated other comprehensive income**	**Amount**	**As % of consolidated total comprehensive income**	**Amount**
Parent								
Classic Company (India) Limited	22%	7,386	22%	865	0%	-	19%	865
Subsidiaries- Foreign (parent's share)								
Oy Kossu AB	10%	3,411	3%	135	0%	-	3%	135
Windmill N. V	1%	392	4%	151	0%	-	3%	151
Maple-leaf Inc	1%	222	3%	115	3%	20	3%	135
Baquette	17%	6,331	15%	599	64%	368	21%	964
Mermaid A/S	16%	5,276	12%	466	10%	55	11%	521
Lei Sure Limited	12%	4,221	6%	200	16%	92	6%	293
Papier GmbH	8%	2,638	10%	399	0%	-	9%	399
Sloan Bio-Research Co	3%	1,055	5%	200	0%	-	4%	200
MayCo	2%	528	2%	65	3%	18	2%	85
Non-controlling interests in all subsidiaries	3%	880	6%	241	4%	22	7%	263
Associates (Investment as per the equity method) - Foreign								
Papyrus	1%	472	3%	138	0%	-	3%	138
Cellulose S.A	1%	238	4%	177	0%	-	4%	177
Joint Venture (investment as per the equity method)- Foreign								
Paletel AB	3%	848	7%	272	0%	-	6%	272
Eliminations	0%	(114)	(2%)	(66)	0%	-	(1%)	(66)
At 31 March 2016	**100%**	**33,784**	**100%**	**3,957**	**100%**	**575**	**100%**	**4,532**

Notes to the consolidated financial statements (continued)

20. Investments

See accounting policies in Notes 3(c)(i)-(ii), (c) (v) and (k) (i).

In thousands of INR

		31 March 2017	31 March 2016	1 April 2015
	A. Non-current investments			
	Quoted debt securities			
Ind AS 107.8(f)	*Corporate debt securities at amortised cost*			
	23,420 (31 March 2016: 21,360; 1 April 2015: 19,560) debentures of P Ltd	2,436	2,256	2,082
Ind AS 107.8(h)(i)	*Corporate debt securities at FVOCI*			
	4,200 (31 March 2016: 6,750; 1 April 2015: 6,800) debentures of K Ltd	48	72	62
	Unquoted debt securities			
	Corporate debt shares at FVOCI			
	6,950 (31 March 2016: 27,500; 1 April 2015: 29,000) debentures of M Pvt Ltd	70	301	311
	Quoted equity shares			
Ind AS 107.8(h)(ii)	*Equity shares at FVOCI*			
	22,500 (31 March 2016: Nil; 1 April 2015: Nil) equity shares of MSE Limited	243	-	-
	36,000 (31 March 2016: 36,000; 1 April 2015: 36,000) equity shares of ABC Limited	467	286	194
Ind AS 107.8(a)	*Equity shares at FVTPL*			
	20,000 (31 March 2016: 20,000; 1 April 2015: 20,000) equity shares of XYZ Limited	251	254	230
	Unquoted equity shares			
	Equity shares at FVOCI			
	Nil (31 March 2016: 22,500; 1 April 2015: 22,500) equity shares of MSE Limited	-	225	223
		3,515	**3,394**	**3,102**
	Aggregate book value of quoted investments	3,445	2,868	2,568
	Aggregate market value of quoted investments	3,459	2,877	2,978
	Aggregate value of unquoted investments	70	526	534
	Aggregate amount of impairment in value of investments	134	70	50

Notes to the consolidated financial statements (continued)

20. Investments (continued)

B. Current investments

In thousands of INR	31 March 2017	31 March 2016	1 April 2015
Quoted debt securities			
Government securities-at FVTPL			
430 (31 March 2016: 660; 1 April 2015: 950) government debt securities	43	68	96
Unquoted debt securities			
Government securities-at FVTPL			
2,000 (31 March 2016: 4,950; 1 April 2015: 2,800) government debt securities	200	500	300
	243	**568**	**396**

Ind AS 107.8(a)

Sch. III. I.GI.A.VI (ii)

Aggregate book value of quoted investments	43	68	96
Aggregate market value of quoted investments	43	68	96
Aggregate value of unquoted investments	200	500	300
Aggregate amount of impairment in value of investments	-	-	-

C. Corporate debt securities at FVOCI have stated interest rates of 8.3 to 9% (2015-16: 9.2 to 9.6%) and mature in one to two years. Corporate debt securities classified as at amortised cost have interest rates of 8.1 to 9.1% (2015-16: 9.2 to 9.6%) and mature in two to five years.

Government debt securities at FVTPL have stated interest rates of 7.9 to 8.8% (2015-16: 9 to 9.3%) and mature within one year.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 32(C).

D. Equity shares designated as at fair value through other comprehensive income

Ind AS 107.8(h)(ii), 11A

At 1 April 2016, the Group designated the investments shown below as equity shares at FVOCI because these equity shares represent investments that the Group intends to hold for long-term for strategic purposes.

In thousands of INR	Fair value at 31 March 2017	Dividend income recognised during 2016-17	Fair value at 31 March 2016	Dividend income recognised during 2015-16	Fair value at 1 April 2015
Investment in MSE Limited	243	10	225	12	223
Investment in ABC Limited	467	16	286	20	194
	710	26	511	32	417

Ind AS 107.11A(e)

No strategic investments were disposed of during 2016-17, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Notes to the consolidated financial statements (continued)

21. Inventories

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See accounting policy in Note 3(j).

In thousands of INR

Reference		31 March 2017	31 March 2016	1 April 2015
Ind AS 1.78(c), 2.36(b)	(a) Raw materials (including raw materials in transit amounting to INR 400 thousand; 31 March 2016: INR 520 thousand; 1 April 2015: INR 495 thousand)	4,860	5,753	5,060
Ind AS 1.78(c), 2.36(b)	(b) Work in progress	2,543	1,661	2,134
Ind AS 1.78(c), 2.36(b)	(c) Finished goods	5,464	4,705	5,522
		12,867	**12,119**	**12,716**
Ind AS 2.36(h)	Carrying amount of inventories (included in above) pledged as securities for borrowings	2,450	5,090	5,227

Ind AS 2.36(e),(f)
Ind AS 1.98(a)

The write-down of inventories to net realisable value during the year amounted to INR 345 thousand (31 March 2016: INR 125 thousand). The reversal of write-downs during the year amounted to INR 17 thousand as discussed below (31 March 2016: Nil). The write-down and reversal are included in cost of materials consumed or changes in inventories of finished goods and work-in-progress.

Ind AS 2.36(g)

Due to regulatory restrictions imposed on manufacture of a new product in the American paper manufacturing and distribution division during the year ended 31 March 2016, the Group tested the related product line for impairment. It also wrote down the related inventories to their net realisable value, which resulted in a loss of INR 42 thousand. During the year ended 31 March 2017, following a change in estimates, INR 17 thousand of the write-down was reversed (see Note 15(B)(ii)). These amounts are included in the total amount of write-downs and reversals above.

Notes to the consolidated financial statements (continued)

22A. Trade receivables (including service concession receivables)[1]

See accounting policy in Note 3(o)(iii).

Sch. III. I.GI.B.III.(i)

Sch. III.I.GI.B.III.(ii)

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Trade receivables			
Unsecured, considered good	23,946	18,100	16,367
Doubtful	80	-	20
	24,026	**18,100**	**16,387**
Loss allowance			
Unsecured, considered good	(117)	(133)	(82)
Doubtful	(80)	-	(20)
	(197)	**(133)**	**(102)**
Net trade receivables	**23,829**	**17,967**	**16,285**
Non-current	213	-	-
Current	23,616	17,967	16,285
	23,829	**17,967**	**16,285**

Ind AS 24.18(b),(c)

Of the above, trade receivables from related parties are as below:

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Total trade receivables from related parties	1,242	645	541
Loss allowance	(6)	(3)	(3)
Net trade receivables	1,236	642	538

For terms and conditions of trade receivables owing from related parties, see Note 35.

For receivables secured against borrowings, see Note 26.

Ind AS 11.40(c)

At 31 March 2017, trade receivables include retentions of INR 200 thousand (31 Mach 2016: INR 180 thousand) relating to construction contracts in progress.

The Group's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 32.

Ind AS 1.78(b) [1] Depending upon the size and nature of the various categories of trade receivables e.g. service concession arrangement, they should be shown on a disaggregated basis.

Notes to the consolidated financial statements (continued)

Sch III.I.GI.B.V

22B. Loans

(unsecured considered good unless otherwise stated)

In thousands of INR

	Note	31 March 2017	31 March 2016	1 April 2015
Loans to directors	35	55	22	18
Loans to employees		26	11	9
		81	**33**	**27**
Loss allowance*		**(3)**	**(1)**	**(1)**
Net loans		**78**	**32**	**26**

All loans are 'current'.

*The loss allowance on loans including those to directors has been computed on the basis of Ind AS 109, *Financial Instruments*, which requires such allowance to be made even for loans considered good on the basis that credit risk exists even though it may be very low.

22C. Derivatives – Assets

In thousands of INR

Ind AS 107.22B(a)

	31 March 2017	31 March 2016	1 April 2015
Interest rate swap used for hedging	116	131	110
Forward exchange contracts used for hedging	297	375	328
Other forward exchange contracts	122	89	97
	535	**595**	**535**
Non-current	116	131	110
Current	419	464	425
	535	**595**	**535**

Ind AS 7.45

23. Cash and cash equivalents

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Bank balances	21	1,268	931
Demand deposits	1,454	862	1,598
Cash and cash equivalents in balance sheet	**1,475**	**2,130**	**2,529**
Bank overdrafts used for cash management purposes	(334)	(282)	(303)
Cash and cash equivalents in the statement of cash flows[1]	**1,141**	**1,848**	**2,226**

Ind AS 7.48

Bank balances include INR 7 thousand (31 March 2016: INR 7 thousand) held in a foreign country which are not freely remissible because of exchange restrictions.

[1] If an entity has cash balances in a disposal group that is classified as held-for-sale in the balance sheet, then such cash balances would be a reconciling item between cash and cash equivalents in the statement of cash flows and the equivalent amount presented in the balance sheet.

Notes to the consolidated financial statements (continued)

24A. Share capital

In thousands of INR

Ind AS 1.79(a)(i)

Authorised	31 March 2017	31 March 2016
10,000 thousand (31 March 2016: 10,000 thousand) equity shares of INR 3 each	30,000	30,000
2,000 thousand (31 March 2016: 2,000 thousand) 8.34% compulsorily convertible non-cumulative preference shares of INR 3 each	6,000	6,000
1,000 thousand (31 March 2016: Nil) 12.4% redeemable non-cumulative preference shares of INR 2 each	2,000	-
Issued, subscribed and paid-up[1]		
3,243 thousand (31 March 2016: 3,100 thousand) equity shares of INR 3 each	9,729	9,300
1,750 thousand (31 March 2016: 1,750 thousand) 8.34% compulsorily convertible non-cumulative preference shares of INR 3 each	5,250	5,250
	14,979	**14,550**

Ind AS 1.79(a)(ii)

1,000 thousand 12.40% redeemable non-cumulative preference shares of INR 2 each (total face value of INR 2,000) have been issued during the year and are classified as financial liability (see Note 26).

All issued shares are fully paid up[2].

Ind AS 1.79(a)(iv)

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	31 March 2017		31 March 2016	
	Number	Amount	Number	Amount
	In thousands	*In thousands of INR*	*In thousands*	*In thousands of INR*
Equity shares				
At the commencement of the period	3,100	9,300	3,100	9,300
Shares issued on exercise of employee stock options	5	15	-	-
Shares issued for cash	130	390	-	-
Shares issued in business combination	8	24		
At the end of the period	**3,243**	**9,729**	**3,100**	**9,300**
8.34% compulsorily convertible non-cumulative preference shares				
At the commencement of the period	1,750	5,250	1,750	5,250
At the end of the period	**1,750**	**5,250**	**1,750**	**5,250**
Issued and subscribed share capital	**4,993**	**14,979**	**4,850**	**14,550**

1,000 thousand 12.40% redeemable non-cumulative preference shares of INR 2 each (total face value of INR 2000) have been issued during the year and are classified as financial liability (see Note 26)

[1] Calls unpaid if any, should be reduced and disclosed under each category of shares as-:
Calls unpaid on XX (31 March 2016: Nil) equity shares of INR XX each
— By directors and officers
— By others

Sch III.II.GI.D.I(b) [2] An entity discloses the number of shares issued but not fully paid.

Notes to the consolidated financial statements (continued)

24A. Share capital (continued)

The group has also issued share options and has a share purchase plan for its employees. (see Note 28)

Ind AS 1.79(a)(v)

Rights, preferences and restrictions attached to equity shares

The company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets on winding up. The equity shares are entitled to receive dividend as declared from time to time, subject to preferential right of preference shareholders to payment of dividend. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to his/its share of the paid-up equity share capital of the company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable has not been paid. Failure to pay any amount called up on shares may lead to their forfeiture.

On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts, in proportion to the number of equity shares held.

Ind AS 1.79(a)(v)

Rights, preferences and restrictions attached to preference shares

Compulsorily convertible non-cumulative preference shares were issued at par in December 2014 and each share is convertible by its holder into one equity share of par value INR 3 at any time on or after 1 April 2019 but not later than 31 December 2021. Failing this, preference shares shall be converted into equity shares by the Company on 31 December 2021.The holders of these shares are entitled to a non-cumulative dividend of 8.34%[1].

For rights, preferences and restrictions attached to 12.40% redeemable, non-cumulative preference shares of INR 2 each, classified as financial liability, see Note 26.

Preference shares of both classes carry a preferential right as to dividend over equity shareholders. Where dividend is not declared in respect of a financial year in the case of non-cumulative preference shares, the entitlement for that year lapses. The preference shares are entitled to one vote per share at meetings of the Company on any resolutions of the company directly affecting their rights. However, a preference shareholder acquires voting rights on par with an equity shareholder if the dividend on preference shares has remained unpaid for a period of not less than two years. In the event of winding up, preference shareholders have a preferential right over equity shareholders to be repaid to the extent of capital paid-up and dividend in arrears on such shares.

Employee stock options/ share purchase plan

Terms attached to stock options granted/ share purchase plan to employees are described in Note 28 regarding share-based payments.

Ind AS 1.79(a)(vi), Sch III.I.GI.D.I (f)

Shares held by holding/ultimate holding company (i.e., parent of the Group) and/or their subsidiaries/associates[2]

	31 March 2017		31 March 2016	
	Number	Amount	Number	Amount
	In thousands	*In thousands of INR*	*In thousands*	*In thousands of INR*
Equity shares of INR 3 each fully paid up held by[3] holding company	2,263	6,789	2,263	6,789

[1] In these illustrative financial statements it is assumed that the convertible non-cumulative preference share are compulsorily convertible in all cases. In a specific case, the exact facts and conditions need to be evaluated in each case.

[2] Disclosure is required of shares in respect of each class in the company held by its holding company or ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate for each category.

[3] This disclosure is on the basis of legal ownership except where information regarding beneficial ownership is available from the records of the company or from the depositories.

Notes to the consolidated financial statements (continued)

24A. Share capital (continued)

Sch III.I.GI. D.I (g)

Particulars of shareholders holding more than 5% shares of a class of shares

	31 March 2017		`31 March 2016	
	Number *In thousands*	% of total shares in class	Number *In thousands*	% of total shares in class
Equity shares of INR 3 each fully paid-up held by[1]-				
- Brown Products Corporation (holding company as at 31 March 2016)	-	-	2,263	73%
- Cameron Paper Co (holding company as at 31 March 2017)	2,263	70%	-	-
- Red Corporation	217	7%	217	7%
8.34% compulsorily convertible non-cumulative preference shares of INR 3 each held by				
- Green Products Limited	525	30%	525	30%
- Red Corporation	175	10%	175	10%

Ind AS 1.79(a)(vii)

Shares reserved for issue under options and contracts/ commitments for sale of shares/ disinvestment:[2]

	31 March 2017		`31 March 2016	
	Number (In thousands)	Amount (In thousands of INR)	Number (In thousands)	Amount (In thousands of INR)
a. Under Employee Stock Option Scheme, 2016: 350 thousand equity shares of INR 3 each, at an exercise price of INR 10.9 per share (see Note 28)	350	1,050	-	-
b. Under Employee Stock Option Scheme, 2015: 200 thousand equity shares of INR 3 each, at an exercise price of INR 10.5 per share (see Note 28)	200	600	200	600
c. Under Employee Stock Option Scheme, 2013: 400 thousand equity shares of INR 3 each, at an exercise price of INR 10 per share (see Note 28)	295	885	350	1,050
d. For compulsorily convertible non-cumulative preference shares: 1,750 thousand equity shares of INR 3 each	1,750	5,250	1,750	5,250
e. For convertible debentures: 250 thousand equity shares of INR 3 each (see Note 26)	250	750	-	-

The Group also has a share purchase plan for its employees (see Note 28).

[1] As per Schedule III, strictly this information is required only for equity share capital. The position regarding compulsorily convertible preference shares which are classified as equity has not been dealt with in Schedule III. However, keeping in view the substantial position, the requisite details have been given.

Ind AS 1.79(a)(vii) [2] An entity discloses details of shares reserved for issue under options and sales contracts, including the terms and amounts.

Notes to the consolidated financial statements (continued)

24A. Share capital (continued)

Sch IIII.GI.D.I (i)

Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date[1]:

During the five-year period ended 31 March 2017 (31 March 2016):

- 8 thousand (31 March 2016: nil) equity shares of INR 3 each have been allotted as fully paid up pursuant to acquisition of Papyrus Pty Limited (see Note 7).
- 5 thousand equity shares have been issued under Employee Stock Option Plans (31 March 2016: nil) for which only exercise price has been received in cash (see Note 28).

Sch III. I.GI.D.I.(i) (d) **24B. Other Equity**

In thousands of INR

Other reserves

	Note	31 March 2017	31 March 2016	1 April 2015
Share options outstanding account	*i.*	1,300	560	310
Debenture redemption reserve	*ii.*	417	-	-
Total other reserves		**1,717**	**560**	**310**

i. Share options outstanding account

	31 March 2017	31 March 2016
Opening balance	560	310
Share based payment expense	755	250
Transfer to securities premium	(15)	-
Closing balance	**1,300**	**560**

ii. Debenture redemption reserve

	31 March 2017	31 March 2016
Opening balance	-	-
Transfer from retained earnings	417	-
Closing balance	**417**	-

[1] Schedule III also requires an entity to disclose details for last five years in respect of any shares issued by way of bonus shares; and shares bought back. In these illustrative financial statements it is assumed that there has been no buy back or bonus issue in the last 5 years.

Notes to the consolidated financial statements (continued)

24B. Other Equity (continued)

Ind AS 1.79(b)

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Ind AS 1.79(b)

Share options outstanding account

The Group has established various equity-settled share-based payment plans for certain categories of employees of the Group. Refer to Note 28 for further details on these plans.

Ind AS 1.79(b)

Debenture redemption reserve

The Group has issued optionally convertible debentures in India and as per the provisions of the Companies Act, 2013, is required to create debenture redemption reserve out of the profits of the company available for payment of dividend.

Dividends

Ind AS 1.107

The following dividends were declared and paid by the Company during the year:

In thousands of INR

	31 March 2017	31 March 2016
INR 0.2116 per equity share (31 March 2016: INR 0.0236)	686	73
Dividend distribution tax (DDT) on dividend to equity shareholders	119	13
INR 0.2134 per compulsorily convertible non-cumulative preference shares (31 March 2016:INR 0.2134)	373	373
DDT on dividend to compulsorily convertible non-cumulative preference shareholders	65	65
	1,243	**524**

Ind AS 1.137(a), Ind AS 10.13, Ind AS 12.81(i)

After the reporting dates the following dividends (excluding dividend distribution tax) were proposed by the directors subject to the approval at the annual general meeting; the dividends have not been recognised as liabilities. Dividends would attract dividend distribution tax when declared or paid.

In thousands of INR

	31 March 2017	31 March 2016
INR 0.2344 per equity share (31 March 2016 INR 0.2116)	760	686
INR 0.2134 per compulsorily convertible non-cumulative preference shares (31 March 2016 INR 0.2134)	373	373
	1,133	**1,059**

A “dividend” of INR 0.064 per redeemable non-cumulative preference share (excluding dividend distribution tax) has been proposed by directors subject to approval at the annual general meeting. Since the aforesaid preference shares have been classified as ‘financial liability’, the aforesaid amount has been shown as part of finance cost.

Notes to the consolidated financial statements (continued)

24C. Analysis of items of OCI, net of tax

a. Other items of OCI

i. Cost of hedging

In thousands of INR

	31 March 2017	31 March 2016
Opening balance	26	35
Changes in fair value	(23)	(8)
Reclassified to profit or loss	(4)	(1)
Costs of hedging transferred to the cost of inventory	(4)	-
Closing balance	**(5)**	**26**

ii. Remeasurements of defined benefit liability (asset)

In thousands of INR

	31 March 2017	31 March 2016
Opening balance	-	-
Remeasurements of defined benefit liability (asset)	89	90
Transferred to retained earnings	(89)	(90)
Closing balance	**-**	**-**

Notes to the consolidated financial statements (continued)

24C Analysis of items of OCI, net of tax (continued)

Ind AS 1.106(d)(ii), 106A

b. Disaggregation of changes in items of OCI

In thousands of INR

		Attributable to the owners of the Company						Total attributable to the owners of the Company	Attributable to NCI	Total OCI
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Equity instruments through OCI	Debt instruments through OCI	Cost of hedging	Remeasurements of defined benefit liability(asset)			
	Year ended 31 March 2016									
Ind AS 21.52(b)	Exchange differences on translating financial statements of foreign operations	308	-	-	-	-	-	308	22	330
Ind AS 21.52(b)	Net loss on hedge of net investment in foreign operation	(8)	-	-	-	-	-	(8)	-	(8)
Ind AS 107.21A(c)	Effective portion of gains (losses) on hedging instruments in cash flow hedges	-	52	-	-	-	-	52	-	52
Ind AS 107.21A(c)	Effective portion of gains (losses) on hedging instruments in cash flow hedges reclassified to profit or loss	-	(8)	-	-	-	-	(8)	-	(8)
	Debt instruments through OCI - net change in fair value	-	-	-	85	-	-	85	-	85
	Debt instruments through OCI - reclassified to profit or loss	-	-	-	(21)	-	-	(21)	-	(21)
	Cost of hedging - changes in fair value	-	-	-	-	(8)	-	(8)	-	(8)
	Cost of hedging - reclassified to profit or loss	-	-	-	-	(1)	-	(1)	-	(1)
	Equity investments through OCI - net change in fair value	-	-	64	-	-	-	64	-	64
Ind AS 1.106(d)(ii), 106A	Remeasurement of defined benefit liability (asset)	-	-	-	-	-	90	90	-	90
		300	**44**	**64**	**64**	**(9)**	**90**	**553**	**22**	**575**

Notes to the consolidated financial statements (continued)

24C. Analysis of items of OCI, net of tax (continued)

b. Disaggregation of changes in items of OCI (continued)

	In thousands of INR	Attributable to the owners of the Company								
		Exchange differences on translation of foreign operations	**Effective portion of cash flow hedges**	**Equity instruments through OCI**	**Debt instruments through OCI**	**Cost of hedging**	**Remeasurements of defined benefit liability (asset)**	**Total attributable to the owners of the Company**	**Attributable to NCI**	**Total**
	Year ended 31 March 2017									
Ind AS 21.52(b)	Exchange differences on translating financial statements of foreign operations	474	-	-	-	-	-	474	27	501
Ind AS 21.52(b)	Net loss on hedge of net investment in foreign operation	(3)	-	-	-	-	-	(3)	-	(3)
Ind AS 107.21A(c)	Effective portion of gains (losses) on hedging instruments in cash flow hedges	-	(41)	-	-	-	-	(41)	-	(41)
Ind AS 107.21A(c)	Effective portion of gains (losses) on hedging instruments in cash flow hedges reclassified to profit or loss	-	(21)	-	-	-	-	(21)	-	(21)
	Debt instruments through OCI - net change in fair value	-	-	-	36	-	-	36	-	36
	Debt instruments through OCI - reclassified to profit or loss	-	-	-	(43)	-	-	(43)	-	(43)
	Cost of hedging - changes in fair value	-	-	-	-	(23)	-	(23)	-	(23)
	Cost of hedging - reclassified to profit or loss	-	-	-	-	(4)	-	(4)	-	(4)
	Equity investments through OCI - net change in fair value	-	-	133	-	-	-	133	-	133
Ind AS 1.106(d)(ii), 106A	Remeasurement of defined benefit liability (asset)	-	-	-	-	-	89	89	-	89
		471	**(62)**	**133**	**(7)**	**(27)**	**89**	**597**	**27**	**624**

Notes to the consolidated financial statements (continued)

24C. Analysis of items of OCI, net of tax (continued)

Exchange differences on translation of foreign operations

Ind AS 1.79(b) These comprise of all exchange differences arising from translation of financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Effective portion of cash flow hedges

Ind AS 1.79(b) This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Equity instruments through OCI

Ind AS 1.79(b) The group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI equity investments within equity. The group transfers amounts therefrom to retained earnings when the relevant equity securities are derecognised.

Debt instruments through OCI

This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Remeasurements of defined benefit liability (asset)

Ind AS 1.79(b) Remeasurements of defined benefit liability (asset) comprises actuarial gains and losses and return on plan assets (excluding interest income).

Cost of hedging

Ind AS 1.79(b) Cost of hedging represents the change in fair value of the forward element of a forward contract that hedges a transaction related hedged item to the extent that it relates to the hedged item.

Notes to the consolidated financial statements (continued)

24D. Capital management

Ind AS 1.134-135(a)

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to equity shareholders.

Ind AS 1.135(a)

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital above 20 percent; in 2016-17 the return was 26 percent (2015-16: 23 percent). The weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 8.74 percent (2015-16: 7.60 percent)

Management is considering extending the Group's share option programme beyond key management and other senior employees. Currently, other employees are awarded SARs and participate in an employee share purchase programme (see Note 28). The Group is in discussions with employee representatives, but no decisions have been made.

Ind AS 1.135(a)

The Group monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the effective portion of cash flow hedges and cost of hedging[1].

The Groups policy is to keep the ratio below 2.00. The Group's adjusted net debt to equity ratio at 31 March 2017 was as follows.

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Total liabilities	60,378	53,715	60,600
Less: cash and cash equivalents	(1,475)	(2,130)	(2,529)
Adjusted net debt	**58,903**	**51,585**	**58,071**
Total equity	41,727	33,784	29,526
Less: effective portion of cash flow hedges	(408)	(478)	(434)
Less: cost of hedging	(5)	26	35
Adjusted equity	41,314	33,332	29,127
Adjusted net debt to adjusted equity ratio	**1.43**	**1.55**	**1.99**

[1] The Group has provided the definitions of 'adjusted net debt' and 'adjusted equity' because they are alternative performance measures and are not defined in Ind AS. It has also provided the reconciliations between them and figures presented in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

25. Earnings per share

A. Basic earnings per share[1]

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purposes of basic earnings per share calculation are as follows:

Ind AS 33.70(a)

i. Profit (loss) attributable to equity shareholders(basic)

In thousands of INR	*Note*	Year ended 31 March 2017			Year ended 31 March 2016		
		Continuing operations	**Discontinued operation**	**Total**	**Continuing operations**	**Discontinued operation**	**Total**
Profit (loss) for the year, attributable to the equity holders		5,469	379	5,848	4,160	(422)	3,738

Ind AS 33.70(b)

***ii.* Weighted average number of equity shares (basic)**

In thousands of shares	*Note*	**Year ended 31 March 2017**	**Year ended 31 March 2016**
Opening balance	*24A*	4,850	4,850
Effect of share options exercised	*24A*	3	-
Effect of shares issued in business combination	*7*	6	-
Effect of fresh issue of shares for cash	*24A*	23	-
Weighted average number of equity shares for the year		**4,882**	**4,850**

[1] It is noted that the convertible preference shares are to be converted mandatorily; there is no cash settlement option either with the Company or with the holder. In this regard paragraph 23 of Ind AS 33, *Earnings per Share* states as below:

'23. Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.'

Where an instrument is mandatorily convertible into equity shares, the issue of equity shares is solely dependent on the passage of time. Consequently, equity shares that are issuable on conversion of a mandatorily convertible instrument should be included in basic EPS from the date the contract is entered into. In other words, the equity shares to be issued on conversion are, in terms of economic substance, as good as issued as of date the contract is entered into. Accordingly, the number of equity shares to be issued on conversion has been included in the calculation of basic EPS as shown above. In our view, since these shares are included in the denominator, the dividend thereon (including DDT) is merely a distribution of the profits on a category of equity share capital itself. Hence, in the numerator i.e. profits attributable to the equity shareholders, the aforesaid dividend and DDT thereon has not been deducted.

Notes to the consolidated financial statements (continued)

25. Earnings per share (continued)

B. Diluted earnings per share

The calculation of diluted earnings per share is based on profit attributable to equity shareholders and weighted average number of equity shares outstanding, after adjustment for the effects of all dilutive potential equity shares as follows:

Ind AS 33.70(a)

(i) Profit (loss) attributable to equity shareholders (diluted)

In thousands of INR	**Year ended 31 March 2017**			**Year ended 31 March 2016**		
	Continuing operations	**Discontinued operation**	**Total**	**Continuing operations**	**Discontinued operation**	**Total**
Profit (loss) for the year, attributable to the equity holders of the Company	5,469	379	5,848	4,160	(422)	3,738
Interest expense on convertible debentures, net of tax	122	-	122	-	-	-
Profit attributable to equity shareholders (diluted)	**5,591**	**379**	**5,970**	**4,160**	**(422)**	**3,738**

Ind AS 33.70(b)

(ii) Weighted average number of equity shares (diluted)

In thousands of shares	***Note***	**Year ended 31 March 2017**	**Year ended 31 March 2016**
Weighted average number of equity shares (basic)		4,882	4,850
Effect of conversion of convertible debentures	*26(D)*	250	-
Effect of exercise of share options		47	18
Weighted average number of equity shares (diluted) for the year		**5,179**	**4,868**

Ind AS 33.70(c)

For the year ended 31 March 2017, 35,000 options (31 March 2016: 44,000) were excluded from the calculation of diluted weighted average number of equity shares as their effect would have been anti-dilutive.

Notes to the consolidated financial statements (continued)

26. Borrowings

See accounting policies in Notes 3(b)(i)-(ii),(c)(i)-(ii),(d),(q).

In thousands of INR

Reference		31 March 2017	31 March 2016	1 April 2015
Ind AS 1.77	**Non-current borrowings**			
Sch III.GI.E.I(i)(b)(I)	Term loans			
	From banks			
	Secured bank loans	3,512	7,093	10,401
	Unsecured bank loans	9,200	9,200	10,317
Sch III.I.GI.E.I(i)(e)	From related party - Associate (unsecured)	-	1,000	1,000
Sch III.I.GI.E.I(i)(g)	Liability component of compound financial instrument			
	Convertible debentures (secured)	4,678	-	-
	Redeemable preference shares (unsecured)	1,939	-	-
Sch III.I.GI.E.I(i)(f)	Long-term maturities of finance lease obligations (secured)	1,613	1,913	1,760
	Total non-current borrowings	**20,942**	**19,206**	**23,478**
Ind AS 1.77	**Current borrowings**			
	Loans from banks			
Sch III.I.GI.F.II(i)(a)	Current portion of secured bank loans	3,500	4,000	800
Sch III.GI.E.I(i)(b)(I)	Unsecured bank loans	500	117	1,000
Sch III.I.GI.F.II(i)(b)	Current portion of finance lease obligations (secured)	315	269	217
		4,315	**4,386**	**2,017**
	Less: Amount included under 'other financial liabilities'	(3,815)	(4,269)	(1,017)
	Total current borrowings	**500**	**117**	**1,000**

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 32(C).

Notes to the consolidated financial statements (continued)

26. Borrowings (continued)

Ind AS 107.7

A. Terms and repayment schedule

Terms and conditions of outstanding borrowings are as follows:

Ind AS 1.77, Sch. III.I.E.I.(iv), (vi)

In thousands of INR

	Currency	Nominal interest rate	Year of maturity	Carrying amount at 31 March 2017	Carrying amount at 31 March 2016	Carrying amount at 1 April 2015
Secured bank loan	CHF	3.90%	2021	1,260	1,257	1,250
Secured bank loan	USD	4.70%	2019	447	521	536
Secured bank loan	INR	12.20%	2018-2022	4,460	4,460	4,460
Secured bank loan	GBP	LIBOR +1%	2018-2019	845	4,855	4,955
Unsecured bank loan	INR	MIBOR+2.3%	2022	5,113	5,113	5,113
Unsecured bank loan	INR	MIBOR+2%	2021	1,023	1,023	1,023
Unsecured bank loan	INR	MIBOR+3%	2019	3,064	3,064	3,064
Unsecured bank loan	INR	MIBOR+3%	2015	-	-	1,117
Loan from associate	INR	14.80%	2019	-	1,000	1,000
Secured convertible debentures	INR	11.30%	2020	4,678	-	-
Redeemable preference shares	INR	12.40%	2022	1,939	-	-
Unsecured bank loan	USD	3.80%	2017	500	117	1,000
Finance lease obligations	INR	10.5-11.0%	2017-2032	1,928	2,182	1,977
Total borrowings				**25,257**	**23,592**	**25,495**

Notes to the consolidated financial statements (continued)

26. Borrowings (continued)

Ind AS 107.7, 14, Ind AS 16.74(a)

B. Secured bank loans

The secured CHF bank loan is secured by first charge on certain items of immovable properties (comprising land and buildings) with a carrying amount of INR 1,902 thousand (31 March 2016: INR 2,120 thousand; 1 April 2015: INR 2,310 thousand) (see Note 14).

The secured USD bank loan is secured against the book debts, present and future, with a carrying amount of INR 600 thousand (31 March 2016: INR 1,000 thousand; 1 April 2015: INR 800 thousand) (see Note 22A).

The secured INR bank loan is secured by first charge on certain items of immovable properties (comprising land and buildings) with a carrying amount of INR 4,616 thousand (31 March 2016: INR 4,968 thousand; 1 April 2015: INR 5,145 thousand) (see Note 14).

The secured GBP bank loan is secured by first charge on inventory with a carrying amount of INR 2,450 thousand (31 March 2016: INR 5,090 thousand; 1 April 2015: INR 5,227 thousand) (see Note 21).

C. Breach of loan covenant

The Group exceeded its maximum leverage threshold (loan covenant ratio, calculated as debt to quarterly revenue from continuing operations) associated with a bank loan in the last quarter of 2016. The Group obtained a waiver of the breach of covenant in January 2017 for a period of 18 months. Subsequent to 31 March 2017, the bank revised the loan covenant ratio from 2.5 to 3.5 and the waiver was lifted. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low.(See Note 38)

D. Convertible debentures

In thousands of INR

	Amount
Proceeds from issue of convertible debentures (1,250 thousand debentures of INR 4 par value)	5,000
Transaction costs	(250)
Net proceeds	4,750
Amount classified as equity (net of pro rata allocated transaction costs of INR 9 thousand)	(163)
Accrued interest	91
Carrying amount of liability at 31 March 2017	**4,678**

These debentures were issued on 29 May 2016. They are convertible into 250,000 equity shares in May 2019 at the option of the holder. Any unconverted debentures would be redeemed in cash. These debentures are secured by an equitable mortgage of plant and equipment with a carrying amount of INR 4,800 thousand (see Note 14).

E. Redeemable preference shares

In thousands of INR

Proceeds from issue of redeemable preference shares	2,000
Transaction costs	(61)
Carrying amount at 31 March 2017	**1,939**

During 2016-17, 1,000 thousand redeemable preference shares were issued as fully paid with a par value of INR 2 per share (2015-16: Nil). The redeemable preference shares are mandatorily redeemable at par on 31 May 2022 and the Group is obliged to pay holders of these shares dividends at the rate of 12.4% of the par amount per annum on 31 July each year until and including on maturity, subject to availability of distributable profits.

Notes to the consolidated financial statements (continued)

26. Borrowings (continued)

F. Finance lease obligations

Ind AS 17.31(b)

Finance lease obligations are payables as follows:

In thousands of INR

	31 March 2017			31 March 2016			1 April 2015		
	Future minimum lease payments (MLP)	Interest element of MLP	Present value of minimum lease payments	Future minimum lease payments	Interest element of MLP	Present value of minimum lease payments	Future minimum lease payments	Interest element of MLP	Present value of minimum lease payments
Within less than one year	550	235	315	531	262	269	450	233	217
Between one and five years	1,128	343	785	1,124	385	739	935	324	611
After more than five years	1,000	172	828	1,531	357	1,174	1,460	311	1,149
	2,678	750	1,928	3,186	1,004	2,182	2,845	868	1,977

Sch III.I.GI. 6.E.I.(vi)

Certain items of Plant and Equipment have been obtained on finance lease basis. The legal title to these items vests with their lessor. The lease term of such Plant and Equipment is 16 years with equated monthly payments beginning from the month subsequent to the commencement of lease.

Ind AS 17.31(c), (e)(i), (ii)

Certain leases provide for additional payments that are contingent on future changes in specified price indices. Contingent rents included in profit or loss amounted to INR 17 thousand (2015-16: INR 15 thousand).

Ind AS 1.122, 17.31(e)

During the year ended 31 March 2016 the Group entered into an arrangement whereby a supplier built a set of equipment, which the supplier will use to provide a specific chemical used in manufacturing a new product in the American paper manufacturing and distribution division for a minimum period of 16 years. The Group is required to pay a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered to it.

Ind AS 17.App B.10(d)

Due to the unusual nature of the product and the manufacturing process, the supplier is unlikely to be able to sell the chemical to other customers. It would not be economically feasible for the supplier to produce the chemical using different equipment. Accordingly, although the arrangement is not in the legal form of a lease, the Group has concluded that the arrangement contains a lease of the equipment, because fulfilment of the arrangement is economically dependent on the use of the equipment, and it is unlikely that any parties other than the Group will receive more than an insignificant part of the output and the price is neither contractually fixed nor equal to market price. The lease has been classified as a finance lease. The Group could not estimate reliably the relative fair values of the lease element and other elements of the required payments. Therefore, at inception of the lease the Group recognised an asset and a liability at an amount equal to the estimated fair value of the equipment (see Note 14). The imputed finance costs on the liability were determined based on the incremental borrowing rate.

Notes to the consolidated financial statements (continued)

27. Assets and liabilities relating to employee benefits

See accounting policy in Note 3(m).

In thousands of INR

	Note	31 March 2017	31 March 2016	1 April 2015
Net defined benefit asset - Gratuity plan		(635)	(731)	(837)
Total employee benefit assets (non-current)		(635)	(731)	(837)
Net defined benefit liability - Medical cost benefits plan		335	280	250
Liability for compensated absences		207	181	174
Ind AS 102.51(b)(i) Cash-settled share-based payment liability	*28*	440	380	30
Total employee benefit liabilities		982	841	454
Non-current		962	453	447
Current [1]		20	388	7
		982	**841**	**454**

For details about the related employee benefit expenses, see Note 11.

Ind AS 19.139(a) The Group operates the following post-employment defined benefit plans.

The Group has a defined benefit gratuity plan in India (Plan A), governed by the Payment of Gratuity Act, 1972. Plan A entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

The defined benefit plan for gratuity is administered by a single gratuity fund that is legally separate from the Group. The board of the gratuity fund comprises three employee and two employer representatives and an independent chair. The board of the gratuity fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment and contribution policies) of the fund.

The Group also provides certain post-employment medical costs benefits to employees of some of the group entities outside India (Plan B). Plan B reimburses certain medical costs for retired employees.

Ind AS 19.139(b) These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

A. Funding

Ind AS 19.147(a) Plan A is fully funded by the Group. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of Plan A is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in (E). Employees do not contribute to the plan. Plan B is unfunded.

Ind AS 19.147(a) The Group has determined that, in accordance with the terms and conditions of Plan A, and in accordance with statutory requirements (including minimum funding requirements) of the plan of the relevant jurisdiction, the present value of refund or reduction in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at 31 March 2017 (31 March 2016: no decrease in defined benefit asset).

Ind AS 19.147(b) The Group expects to pay INR 350 thousand in contributions to its defined benefit plans in 2017-18.

Ind AS 1.69, 19.133 [1] Although an entity is not required to distinguish the current and non-current portions of assets and liabilities arising from post-employment benefits, it distinguishes between the current and non-current portions of obligations arising from long-term employee benefits if it does not have an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Notes to the consolidated financial statements (continued)

27. Assets and liabilities relating to employee benefits (continued)

B. Reconciliation of the net defined benefit (asset) liability

Ind AS 19.140(a)(ii)

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components.[1]

i. Plan A

Reconciliation of present value of defined benefit obligation

In thousands of INR

Reference		31 March 2017	31 March 2016
	Balance at the beginning of the year	1,759	1,663
Ind AS 19.141(g)	Benefits paid	(463)	(454)
Ind AS 19.141(a)	Current service cost	317	387
Ind AS 19.141(b)	Interest cost	179	148
Ind AS 19.141(d)	Past service gain	-	-
	Actuarial (gains) losses recognised in other comprehensive income		
Ind AS 19.141(c)(ii)	changes in demographic assumptions	(49)	10
Ind AS 19.141(c)(iii)	changes in financial assumptions	(14)	3
	experience adjustments	(7)	2
Ind AS 19.140(a)(ii)	**Balance at the end of the year**	**1,721**	**1,759**

Ind AS 19.140(a)(i)

Reconciliation of the present value of plan assets

In thousands of INR

Reference		31 March 2017	31 March 2016
	Balance at the beginning of the year	2,490	2,500
Ind AS 19.141(f)	Contributions paid into the plan	279	379
Ind AS 19.141(g)	Benefits paid	(474)	(544)
Ind AS 19.141(b)	Interest income	10	3
Ind AS 19.141(c)(i)	Return on plan assets recognised in other comprehensive income	51	152
Ind AS 19.140(a)(i)	**Balance at the end of the year**	**2,356**	**2,490**
Ind AS 19.138(e)	**Net defined benefit (asset)**	**(635)**	**(731)**

ii. Plan B

Reconciliation of present value of defined benefit obligation

In thousands of INR

Reference		31 March 2017	31 March 2016
	Balance at the beginning of the year	280	250
Ind AS 19.141(g)	Benefits paid	(11)	(90)
Ind AS 19.141(a)	Current service cost	146	90
Ind AS 19.141(b)	Interest cost	32	26
Ind AS 19.141(d)	Past service gain	(100)	-
	Actuarial (gains) losses recognised in other comprehensive income		
Ind AS 19.141(c)(ii)	changes in demographic assumptions	(9)	2
Ind AS 19.141(c)(iii)	changes in financial assumptions	(2)	1
	experience adjustments	(1)	1
Ind AS 19.140(a)(ii)	**Balance at the end of the year**	**335**	**280**
Ind AS 19.138(e)	**Net defined benefit liability**	**335**	**280**

Ind AS 19.138

[1] The Group has more than one defined benefit plan and has disaggregated the disclosures as these plans are with materially different risks. Generally, a company may provide aggregated disclosures in respect of these plans, if they are not exposed to materially different risks.

Notes to the consolidated financial statements (continued)

27. Assets and liabilities relating to employee benefits (continued)

B. Reconciliation of the net defined benefit (asset) liability (continued)

Ind AS 19.139(c)

During the year ended 31 March 2017, the medical costs benefit plan arrangements for a number of employees in France were adjusted to reflect new legal requirements in that country regarding the retirement age. As a result of the plan amendment, the Group's defined benefit obligation decreased by INR 100 thousand (31 March 2016: no decrease). A corresponding past service gain was recognised in profit or loss during 31 March 2017.

C. *i. Expense recognised in profit or loss (Plan A and B)*[1]

	Year ended 31 March 2017	Year ended 31 March 2016
Current service cost	463	478
Interest cost	210	174
Past service gain	(100)	-
Interest income	(10)	(3)
	563	**649**

***ii. Remeasurements recognised in other comprehensive income (Plan A and B)*[1]**

	Year ended 31 March 2017	Year ended 31 March 2016
Actuarial (gain) loss on defined benefit obligation	(82)	18
Return on plan assets excluding interest income	(51)	(152)
	(133)	**(134)**

Ind AS 19.142

D. Plan assets

Plan assets comprise of the following:

In thousands of INR

		31 March 2017	31 March 2016	1 April 2015
Ind AS 19.142(b)	Equity securities			
	- Consumer market	140	190	170
	- Pharmaceuticals	145	108	125
		285	298	295
Ind AS 19.142(c)	Government bonds	1,160	1,110	1,203
Ind AS 19.143	Term deposits of banks	911	1,082	1,002
		2,356	**2,490**	**2,500**

Ind AS 19.142

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by Indian governments and are rated AAA or AA, based on CRISIL ratings.

[1] Although it is not specifically required by Ind AS 19, *Employee Benefits*, the Group has disclosed the subtotals of items recognised in profit or loss and OCI. **This disclosure is voluntary and provided for illustrative purposes only.**

Notes to the consolidated financial statements (continued)

27. Assets and liabilities relating to employee benefits (continued)

D. Plan assets (continued)

Ind AS 19.146

At each reporting date, an Asset-Liability Matching study is performed by the gratuity fund's asset manager, in which the consequences of the strategic investment policies are analysed. The strategic investment policies of the gratuity fund can be summarised as follows:

- a strategic asset mix comprising 10-15% equity securities, 40–50% government bonds and 35 to 45% term deposits of banks and debt securities;

- interest rate risk is managed with the objective of reducing the cash flow interest rate risk by 40% through the use of debt instruments (government bonds).

E. Defined benefit obligation

Ind AS 19.125,144

i. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

		31 March 2017	31 March 2016	1 April 2015
	Plan A			
Ind AS 19.144	Discount rate	8.1%	8.7%	8.9%
Ind AS 19.144	Future salary growth	7%	7%	7%
	Attrition rate	6%	6.2%	6.1%
	Plan B			
Ind AS 19.144	Discount rate	5.10%	4.80%	4.9%
Ind AS 19.144	Future salary growth	2.50%	2.50%	2.5%
Ind AS 19.144	Medical cost trend rate	4.50%	4.00%	4%

Ind AS 19.144

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the liabilities in Plan B (a defined benefit plan) are as follows:

	31 March 2017	31 March 2016	1 April 2015
Longevity at age 65 for current members aged above 45			
Males	18.2	18.0	18.1
Females	19.0	18.8	18.8
Longevity at age 65 for current member aged 45 or below			
Males	19.0	18.7	18.6
Females	20.5	20.0	20.2

Ind AS 19.147(c)

At 31 March 2017, the weighted-average duration of the defined benefit obligation was 17.1 years (31 March 2016: 17.5 years).

Notes to the consolidated financial statements (continued)

27. Assets and liabilities relating to employee benefits (continued)

ii. Sensitivity analysis

Ind AS 1.125, 129, 19.145

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Effect in thousands of INR

	31 March 2017		31 March 2016	
	Increase	**Decrease**	**Increase**	**Decrease**
Plan A				
Discount rate (1% movement)	(237)	248	(234)	245
Future salary growth (1% movement)	131	(123)	126	(120)
Attrition rate (1% movement)	(51)	48	(49)	47
Plan B				
Discount rate (1% movement)	(101)	106	(102)	105
Future salary growth (1% movement)	56	(53)	54	(52)
Medical cost trend rate (1% movement)	389	(257)	(280)	(250)
Future mortality (1% movement)	(22)	21	(19)	20

Ind AS 19.145(b)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the consolidated financial statements (continued)

28. Share-based payments

See accounting policy in Note 3(m)(ii).

Ind AS 102.44–45(a), 50

A. Description of share-based payment arrangements

At 31 March 2017, the Group has the following share-based payment arrangements:

i. Share option plans (equity-settled)

On 1 April 2013 and 1 April 2015 the Group established share option plans that entitle key management personnel to purchase shares in the Company. On 1 April 2016 a further plan was established for key management personnel and other senior employees. Under these plans, holders of vested options are entitled to purchase shares at the market price of the shares at respective date of grant of options. The key terms and conditions related to the grants under these plans are as follows; all options are to be settled by the delivery of shares.

Grant date/employees entitled	Number of instruments *(in thousands)*	Vesting conditions	Contractual life of options
Option grant to key management personnel on 1 April 2013	400	3 years' service from grant date and 5 percent increase over previous year in operating income in each of the 3 years	7 years
Option grant to key management personnel on 1 April 2015	200	Same as above	10 years
Option grant to key management personnel on 1 April 2016	100	Same as above	10 years
Option grant to senior employees on 1 April 2016	100	3 years' service from grant date	10 years
Total share options	**800**		

ii. Replacement awards (equity-settled)

In connection with the acquisition of Papyrus, the Company exchanged equity-settled share-based payment awards held by employees of Papyrus for 150,000 equity-settled share-based payment awards of the Company with a contractual life of nine years. See Note 7 for further details.

iii. Share purchase plan (equity-settled) [1]

On 1 April 2016 the Group offered 80 of its employees (including some key management personnel) the opportunity to participate in an employee share purchase plan. To participate in the plan, an employees must save an amount of 5 percent of his or her gross monthly salary with a maximum of INR 300 per month, for a period of 36 months. Under the terms of the plan, immediately after the three-year period the employees are entitled to utilise their savings to purchase shares at a price 20 percent below the market price as at the grant date. Only employees that remain in service and save 5 percent of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Employees who cease their employment or refrain from saving 5 percent of their gross monthly salary in any month before the 36-month period expires will be refunded their saved amounts.

[1] Depending on the predominant features, a share purchase plan is either a true share purchase plan or an option plan. All terms and conditions of the arrangement should be considered when determining the type of equity instruments granted (i.e., whether shares or options). In these Illustrative Financial Statements, considering its terms, the share purchase plan has been accounted for as an option plan.

Notes to the consolidated financial statements (continued)

28. Share-based payments (continued)

iv. Share appreciation rights (cash-settled)

On 1 April 2013 and 1 April 2016, the Group granted 100,000 and 300,000 share appreciation rights (SARs), respectively, to employees that entitle them to a cash payment after three years of service. The SARs expire at the end of a five-year period after grant date. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the date of exercise. Details of the liabilities arising from the SARs are as follows.

In thousands of INR

Ind AS 102.51(b)(i), (ii)

	Note	31 March 2017	31 March 2016
Total carrying amount of liabilities	27	440	380
Total intrinsic value of liability for vested benefits		-	380

The liabilities as at 31 March 2016 were settled during year ended 31 March 2017.

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

Ind AS 102.46, 47(a)(i), (iii)

The fair value of employee share options (see (A)(i) and (A)(ii)) and employee share purchase plan (see (A)(iii)) has been measured using Monte Carlo simulation.

Ind AS 102.47(a)(iii)

The requirement that the employee has to save in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historical behaviour[1].

Ind AS 102.47(a)(iii)

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Ind AS 102.46, 47(a)(i)

	Share option plans				
	Key Management Personnel (see (A)(i))		Senior Employees (see (A)(i))	Replacement awards (see (A)(ii))	Share purchase plan (see (A)(ii))
	31 March 2017	31 March 2016	31 March 2017	31 March 2017	31 March 2017
Fair value at grant date	INR 5.6	INR 3.8	INR 5.5	INR 3.8	INR 1.9
Share price at grant date	INR 10.1	INR10.5	INR 10.1	INR 10.1	INR 10.1
Exercise price	INR 10.1	INR 10.5	INR 10.1	INR 10.1	INR 10.1
Expected volatility (weighted average volatility)	40.10%	40.90%	40.10%	44.20%	43.30%
Expected life (expected weighted average life)	8.6 years	8.8 years	5.4 years	5.9 years	4.0 years
Expected dividends	3.20%	3.20%	3.20%	3.20%	3.20%
Risk-free interest rate (based on government bonds)	5.90%	5.80%	5.80%	5.90%	5.90%

Ind AS 102.46, 47(a)(ii)

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

At 31 March 2017 a total amount of INR 223 thousand has been saved by the participants to the share purchase plan (see Note 31B) and has been recognised as other financial liabilities and includes an amount of INR 37 thousand that relates to key management personnel (see Note 35).

Ind AS 102.B13 [1] If expectations about the future, for example saving behavior, do not follow the past and therefore the future is reasonably expected to differ from the past then discount should be determined by estimating the probability that the employee will stop saving based on the expected future trend in the share price and employee behavior. If, for example, a high rate of stopping saving has occurred in the past due to the share-based payment award becoming out-of-the-money (e.g. a significant share price fall), then the entity determines a realistic expectation of future share price trends in selecting the rate of stopping saving that it will rely upon for the discount to the model valuation.

Notes to the consolidated financial statements (continued)

28. Share-based payments (continued)

B. Measurement of fair values (continued)

ii. Cash-settled share-based payment arrangement[1]

The fair value of the SARs (see (A)(iv)) has been measured using the Black-Scholes Merton formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

Ind AS 102.52

The fair value of the SARs and the inputs used in the measurement of the fair values at grant date and measurement date of the SARs are as follows:

	Measurement date 31 March 2017	Grant date 1 April 2016
Fair value	INR 4.4	INR 2.82
Share price	INR 12.7	INR 10.1
Expected volatility (weighted average volatility)	43.1%	43.30%
Expected life (expected weighted average life)	2.8 years	4 years
Expected dividends	3.30%	3.20%
Risk-free interest rate (based on government bonds)	6.5%	6.40%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

C. Reconciliation of outstanding share options

Ind AS 102.45(b)

The number and weighted-average exercise prices of share options under the share option plans (see (A)(i)) and replacement awards (see (A)(ii)) are as follows.

	In thousands of options	Weighted average exercise price 31 March 2017	Number of options 31 March 2017	Weighted average exercise price 31 March 2016	Number of options 31 March 2016
Ind AS 102.45(b)(i)	Outstanding at beginning of the year	INR 9.9	550	INR 9.5	400
Ind AS 102.45(b)(iii)	Forfeited during the period	INR 9.5	(50)	INR 9.5	(50)
Ind AS 102.45(b)(iv)	Exercised during the period	INR 10	(5)	-	-
Ind AS 102.45(b)(ii)	Granted during the period	INR 10.6	350	INR 10.5	200
Ind AS 102.45(b)(vi)	Outstanding at end of the year	INR 10.2	845	INR 9.9	550
Ind AS 102.45 (b)(vii)	Exercisable at 31 March	INR10.0	295	INR9.5	350

[1] Although it is not specifically required by Ind AS 102, *Share-based Payments*, the Group has disclosed information about the fair value measurement of its SARs. **These are not mandatory and have been provided only for illustrative purposes** in case an entity wishes to provide these information voluntarily.

Notes to the consolidated financial statements (continued)

28. Share-based payments (continued)

C. Reconciliation of outstanding share options (continued)

Ind AS 102.45(d)

The options outstanding at 31 March 2017 have an exercise price in the range of INR 10.0 to INR 10.5 (31 March 2016: INR 10.0 to INR 10.5) and a weighted average remaining contractual life of 6.8 years (31 March 2016: 7.1 years).

Ind AS 102.45(c)

The weighted average share price at the date of exercise for share options exercised in 2016-17 was INR 10.50 (2015-16: no options exercised).

D. Expense recognised in statement of profit and loss

For details on the employee benefits expense, see Note 11.

Notes to the consolidated financial statements (continued)

29. Deferred income

See accounting policies in Notes 3(o)(i),(o)(iii), (p).

In thousands of INR

	Note	31 March 2017	31 March 2016	1 April 2015
Billing in advance of work completed		17	13	15
Customer advances		73	117	188
Government grants (see A below)		1,462	1,500	-
Customer loyalty credits outstanding (see B below)	*8*	50	-	-
		1,602	**1,630**	**203**
Non-current		1,424	1,462	-
Current		178	168	203
		1,602	**1,630**	**203**

Ind AS 11.40(b), 11.42(b)

Ind AS 20.39(b), Ind AS 41.57(a)

A. Government grants

The Group has been awarded two government grants. One of the grants, received in 2015-16, amounted to INR 1,500 thousand and was conditional upon the construction of a factory in a specified region. The factory has been constructed and been in operation since April 2016 and the grant, recognised as deferred income, is being amortised over the useful life of the building in proportion in which the related depreciation expense is recognised.

The second grant amounting to INR 200 thousand, received in 2016-2017, is unconditional, and relates to pine trees. It has been included in other income. (See Note 9)

B. Customer loyalty credits

The deferred income of INR 50 thousand (31 March 2016: Nil) related to loyalty credits granted has been estimated with reference to the fair value of paper products for which they could be redeemed. This is because the fair value of loyalty credits is not directly observable. The fair value of the customers' right to buy paper products at a discount for which the loyalty credits can be redeemed takes into account the amount of discount available to customers that have not earned the loyalty credits and the expected forfeiture rate.

Notes to the consolidated financial statements (continued)

Sch III. I.GI.E.III,F.IV

30. Provisions

See accounting policies in Note 3(m) and (n).

In thousands of INR	Non-current			Current		
	31 March 2017	**31 March 2016**	**1 April 2015**	**31 March 2017**	**31 March 2016**	**1 April 2015**
Provisions for employee benefits (see Note 27)						
Net defined benefit liability–Medical cost benefit	335	280	250	-	-	-
Liability for compensated absences	187	173	167	20	8	7
Liability for cash-settled share-based payments	440	-	30	-	380	-
Total provisions for employee benefits (A)	**962**	**453**	**447**	**20**	**388**	**7**
Other provisions						
Provision for warranties	-	-	-	140	210	647
Provision for restructuring	-	-	-	600	500	818
Provision for site restoration	750	-	567	-	840	-
Provision for onerous contract	107	-	-	53	-	-
Provision for litigations	-	-	50	20	50	-
Total other provisions (B)	**857**	**-**	**617**	**813**	**1,600**	**1,465**
Total provisions (A+B)	**1,819**	**453**	**1,064**	**833**	**1,988**	**1,472**

Notes to the consolidated financial statements (continued)

30. Provisions (continued)

Ind AS 37.84(a), 84(b)-(e), Sch III

Movements in other provisions

In thousands of INR

	Warranties	Restructuring	Site restoration	Onerous contracts	Litigations	Total
Balance at 1 April 2015	647	818	567	-	50	2,082
Provisions made during the period	210	500	218	-	-	928
Provisions utilised during the period	(647)	(818)	-	-	-	(1,465)
Unwinding of discount	-	-	55	-	-	55
Balance at 31 March 2016	**210**	**500**	**840**	**-**	**50**	**1,600**
Balance at 1 April 2016	210	500	840	-	50	1,600
Assumed in a business combination	-	-	-	-	20	20
Provisions made during the period	140	600	750	160	-	1,650
Provisions utilised during the period	(210)	(500)	(500)	-	(50)	(1,260)
Provisions reversed during the period[1]	-	-	(400)	-	-	(400)
Unwinding of discount	-	-	60		-	60
Balance at 31 March 2017	**140**	**600**	**750**	**160**	**20**	**1,670**

Ind AS 37.85(a)-(c)

A. Warranties

The provision for warranties relates mainly to paper sold during the years ended 31 March 2016 and 31 March 2017. The provision is based on estimates made from technical evaluation and historical warranty data associated with similar products and services. The Group expects to incur the related expenditure over the next year.

[1] In our view, the reversal of a provision should be presented in the same line item in the statement of profit and loss as the original estimate.

Notes to the consolidated financial statements (continued)

30. Provisions (continued)

Ind AS 1.98(b), 125,37.85(a)-(b)

B. Restructuring

During the year ended 31 March 2016 the Group committed to a plan to restructure one of the product lines in the American paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan the Group recognised a provision of INR 500 thousand for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. An amount of INR 500 thousand has been charged against the provision in the current year ended 31 March 2017. The restructuring has been completed in the current year.

During the year ended 31 March 2017 a provision of INR 600 thousand has been made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Papers segment that will be retained when the remainder of the facility is sold (see Note 6). Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be complete by September 2017.

Ind AS 1.125

C. Site restoration

i. France

Ind AS 37.85(a)

The Group had a provision of INR 840 thousand in respect of the Group's obligation to rectify environmental damage in France as at 1 April 2016 and an unwinding of the discount of INR 60 has been recognised during the year ended 31 March 2017. The required work has been completed during the year ended 31 March 2017 at a cost of INR 500 thousand. The unused provision of INR 400 thousand has been reversed.

ii. Romania

Ind AS 37.85(a)-(b)
Ind AS 1.129

In accordance with Romanian law, land contaminated by the Group's subsidiary in Romania must be restored to its original condition before the end of March 2021. During the year ended 31 March 2017 the Group has provided INR 750 thousand for this purpose. Because of the long term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are available currently. The Group has been provided with a range of reasonably possible outcomes of the total cost which range from INR 650 thousand to INR 850 thousand, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9 percent which is the risk free rate in Romania. The rehabilitation is expected to occur progressively over the next four years.

Ind AS 34.26

The provision has increased as compared to the amount of INR 650 thousand reported in the Company's interim report as at and for the nine months ended 31 December 2016 due to a change in estimated costs. At the time of preparing the interim report the extent of restoration work required was uncertain, as the inspection report by the Romanian authorities had not yet been finalised. The estimates has been revised subsequently based on the final report.

Notes to the consolidated financial statements (continued)

30. Provisions (continued)

D. Onerous contract

Ind AS 37.85(a)-(b)

During the year ended 31 March 2015, the Group had entered into a non-cancellable lease for office space which, due to changes in its activities, the Group has ceased to use by 31 March 2017. The lease expires in 2020. The facilities have been sublet for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

E. Litigations

Ind AS 1.125,37.85(a)-(b)

As a result of the acquisition of Nagoya Limited during the year ended 31 March 2015 (see Note 39(a)) the Group assumed a contingent liability related to a legal action brought by a former employee of Nagoya Limited. The plaintiff was claiming INR 100 thousand in damages. However, based on advice from the Group’s legal counsel, management estimated that the most likely outcome was that the Group will be required to pay INR 50 thousand to settle this obligation, which included expected legal costs. During the year ended 31 March 2017 the claim has been settled by paying INR 55 thousand.

As a result of the acquisition of Papyrus Pty Limited (see Note 7), the Group has assumed a contingent liability, provisionally measured at INR 20 thousand.

Notes to the consolidated financial statements (continued)

Sch. III.I.(ii)

31A. Trade payables

In thousands of INR

	Note	31 March 2017	31 March 2016	1 April 2015
Trade payables to related parties	*35*	96	351	320
Other trade payables		23,162	24,012	30,300
		23,258	**24, 363**	**30,620**

Ind AS 107.39

All trade payables are 'current'.

The Group's exposure to currency and liquidity risks related to trade payables is disclosed in Note 32.

Sch. III.I.(iii)

31B. Other financial liabilities[1]

In thousands of INR

		Note	31 March 2017	31 March 2016	1 April 2015
	Liability on account of share purchase plan (including due to related parties INR 37 thousand (31 March 2016: Nil; 1 April 2015: Nil))	*35*	223	-	-
	Contingent consideration	*7*	270	-	-
Sch. III.I. GI.I	Dividend on redeemable preference shares classified as liability (and related dividend distribution tax)		75	-	-
Sch. III.I. GI.F.II (a)	Current maturities of long-term borrowings	*26*	3,500	4,000	800
Sch. III.I. GI.F.II (b)	Current maturities of finance lease liabilities	*26*	315	269	217
			4,383	**4,269**	**1,017**
	Non-current		270	-	-
	Current		4,113	4,269	1,017
			4,383	**4,269**	**1,017**

Ind AS 107.39

The Group's exposure to currency and liquidity risks related to the above financial liabilities is disclosed in Note 32.

31C. Derivatives – Liabilities

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Forward exchange contracts used for hedging	8	7	7
Interest rate swaps used for hedging	20	5	-
	28	**12**	**7**
Non-current	20	5	-
Current	8	7	7
	28	**12**	**7**

Sch.III.I.GI.F.II(c) [1] Schedule III requires companies to disclose interest accrued. In these illustrative financial statements it has been assumed that there is no interest accrued as at the year end.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management

A. Accounting classifications and fair values[1]

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Ind AS 107.8(a)(ii)

31 March 2017

In thousands of INR		Carrying amount							Fair value			
	Note	**Fair value-hedging instruments**	**Mandatorily at FVTPL-others**	**FVOCI-debt instruments**	**FVOCI-equity instruments**	**Other financial assets -amortised cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value												
Interest rate swaps used for hedging	*22C*	116	-	-	-	-	-	**116**	-	116	-	**116**
Forward exchange contracts used for hedging	*22C*	297	-	-	-	-	-	**297**	-	297	-	**297**
Other forward exchange contracts	*22C*	-	122	-	-	-	-	**122**	-	122	-	**122**
Government debt securities	*20*	-	243	-	-	-	-	**243**	43	200	-	**243**
Corporate debt securities	*20*	-	-	118	-	-	-	**118**	48	70	-	**118**
Equity securities	*20*	-	251	-	710	-	-	**961**	961	-	-	**961**
		413	**616**	**118**	**710**	**-**	**-**	**1,857**				

[1] In this table, the Group has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with their carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in Ind AS 109. This presentation method is optional and a different presentation method may be more appropriate, depending on circumstances.

Ind AS 107.B1-B3 The Group has grouped its financial instruments into 'classes'. Although Ind AS 107, Financial Instruments: Disclosures, does not define 'classes', as a minimum instruments measured at amortised cost should be distinguished from instruments measured at fair value. An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

Ind AS 107.8(f)

In thousands of INR

		Carrying amount							Fair value			
	Note	**Fair value-hedging instruments**	**Mandatorily at FVTPL-others**	**FVOCI-debt instruments**	**FVOCI-equity instruments**	**Other financial assets - Amortised cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value[1]												
Trade receivables	*22A*	-	-	-	-	23,829	-	**23,829**				
Loans	*22B*					78		**78**				
Cash and cash equivalents	*23*	-	-	-	-	1,475	-	**1,475**				
Corporate debt securities	*20*	-	-	-	-	2,436	-	**2,436**	2,450	-	-	**2,450**
		-	-	-	-	**27,818**	-	**27,818**				
Financial liabilities measured at fair value												
Interest rate swaps used for hedging	*31C*	(20)	-	-	-	-	-	**(20)**	-	(20)	-	**(20)**
Forward exchange contracts used for hedging	*31C*	(8)	-	-	-	-	-	**(8)**	-	(8)	-	**(8)**
Contingent consideration	*31B*	-	(270)	-	-	-	-	**(270)**	-	-	(270)	**(270)**
		(28)	**(270)**	-	-	-	-	**(298)**				

[1] The Group has not disclosed the fair values for financial instruments such as short-term trade receivables, because their carrying amounts are a reasonable approximation of fair value

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

Ind AS 107.8(g)

In thousands of INR	*Note*	Carrying amount: Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI-debt instruments	FVOCI-equity instruments	Other financial assets - Amortised cost	Other financial liabilities	Total carrying amount	Fair value: Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value[1]												
Bank overdrafts	*23*	-	-	-	-	-	(334)	-				
Secured bank loans	*26*	-	-	-	-	-	(7,012)	-	-	(7,239)	-	**(7,239)**
Unsecured bank loans - short-term	*26*	-	-	-	-	-	(500)	-	-	(500)	-	**(500)**
Unsecured bank loan - others	*26*	-	-	-	-	-	(9,200)	-	-	(8,739)	-	**(8,739)**
Convertible debentures – liability component	*26*	-	-	-	-	-	(4,678)	-	-	(5,216)	-	**(5,216)**
Redeemable preference shares	*26*	-	-	-	-	-	(1,939)	-	-	(1,936)	-	**(1,936)**
Dividends (including dividend distribution tax) payable on redeemable preference shares	*31B*	-	-	-	-	-	(75)	-	-	(75)	-	**(75)**
Finance lease obligations	*26*	-	-	-	-	-	(1,928)	-	-	(1,856)	-	**(1,856)**
Trade payables	*31A*	-	-	-	-	-	(23,258)	-				
Liability on account of share purchase plan		-	-	-	-	-	(223)	-				
		-	-	-	-	-	**(49,147)**	-				

[1] The Group has not disclosed the fair values for financial instruments such as short-term trade payables, because their carrying amounts are a reasonable approximation of fair value.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

31 March 2016

In thousands of INR

Ind AS 107.8(a)(ii)

		Carrying amount							Fair value			
	Note	**Fair value-hedging instruments**	**Mandatorily at FVTPL-others**	**FVOCI-debt instruments**	**FVOCI-equity instruments**	**Other financial assets - amortised cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value												
Interest rate swaps used for hedging	*22C*	131	-	-	-	-	-	**131**	-	131	-	**131**
Forward exchange contracts used for hedging	*22C*	375	-	-	-	-	-	**375**	-	375	-	**375**
Other forward exchange contracts	*22C*	-	89	-	-	-	-	**89**	-	89	-	**89**
Government debt securities	*20*	-	568	-	-	-	-	**568**	68	500	-	**568**
Corporate debt securities	*20*	-	-	373	-	-	-	**373**	72	301	-	**373**
Equity securities	*20*	-	254	-	511	-	-	**765**	540	-	225	**765**
		506	**911**	**373**	**511**	**-**	**-**	**2,301**				

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

Ind AS 107.8(f)

In thousands of INR

		Carrying amount							Fair value			
	Note	**Fair value-hedging instruments**	**Mandatorily at FVTPL-others**	**FVOCI-debt instruments**	**FVOCI-equity instruments**	**Other financial assets - amortised cost**	**Other financial liabilities**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value[1]												
Trade receivables	*22A*	-	-	-	-	17,967	-	**17,967**				
Loans	*22B*	-	-	-	-	32		**32**				
Cash and cash equivalents	*23*	-	-	-	-	2,130	-	**2,130**				
Corporate debt securities	*20*	-	-	-	-	2,256	-	**2,256**	2,265	-	-	**2,265**
		-	-	-	-	**22,385**	-	**22,385**				
Financial liabilities measured at fair value												
Interest rate swaps used for hedging	*31C*	(5)	-	-	-	-	-	(5)	-	(5)	-	**(5)**
Forward exchange contracts used for hedging	*31C*	(7)	-	-	-	-	-	(7)	-	(7)	-	**(7)**
		(12)	**-**	**-**	**-**	**-**	**-**	**(12)**				

[1] The Group has not disclosed the fair values for financial instruments such as short-term trade receivables, because their carrying amounts are a reasonable approximation of fair value.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

Ind AS 107.8(f)

In thousands of INR

	Note	Carrying amount							Fair value			
		Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI-debt instruments	FVOCI-equity instruments	Other financial assets - amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value[1]												
Bank overdraft	*23*	-	-	-	-	-	(282)	**-**				
Secured bank loans	*26*	-	-	-	-	-	(11,093)	**-**	-	(10,984)	-	**(10,984)**
Unsecured bank loans - short-term	*26*	-	-	-	-	-	(117)	**-**	-	(117)	-	**(117)**
Unsecured bank loan - others	*26*	-	-	-	-	-	(9,200)	**-**	-	(9,346)	-	**(9,346)**
Finance lease obligations	*26*	-	-	-	-	-	(2,182)	**-**	-	(2,078)	-	**(2,078)**
Loan from associate	*26*	-	-	-	-	-	(1,000)	**-**	-	(1,040)	-	**(1,040)**
Trade payables	*31A*	-	-	-	-	-	(30,620)	**-**				
		-	-	-	-	-	**(54,494)**	**-**				

[1] The Group has not disclosed the fair values for financial instruments such as short-term trade payables, because their carrying amounts are a reasonable approximation of fair value.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

1 April 2015

Ind AS 107.8, 25, 113.93(a)-(b), 97, 99

In thousands of INR

		Carrying amount							Fair value			
	Note	Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI-debt instruments	FVOCI-equity instruments	Other financial assets - amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value												
Interest rate swaps used for hedging	*22C*	110	-	-	-	-	-	**110**	-	110	-	**110**
Forward exchange contracts used for hedging	*22C*	328	-	-	-	-	-	**328**	-	328	-	**328**
Other forward exchange contracts	*22C*	-	97	-	-	-	-	**97**	-	97	-	**97**
Government debt securities	*20*	-	396	-	-	-	-	**396**	96	300	-	**396**
Corporate debt securities	*20*	-	-	373	-	-	-	**373**	62	311	-	**373**
Equity securities	*20*	-	230	-	417	-	-	**647**	424	-	223	**647**
		438	**723**	**373**	**417**	**-**	**-**	**1,951**				

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

Ind AS 107.8, 25, 113.93(a)-(b), 97, 99

In thousands of INR

	Note	Carrying amount							Fair value			
		Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI-debt instruments	FVOCI-equity instruments	Other financial assets - amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value[1]												
Trade receivables	*22A*	-	-	-	-	16,285	-	**16, 285**				
Loans	*22B*					26		**26**				
Cash and cash equivalents	*23*	-	-	-	-	2,529	-	**2,529**				
Corporate debt securities	*20*	-	-	-	-	2,082	-	**2,082**	2,181	-	-	**2,181**
		-	-	-	-	**20,922**	-	**20,922**				
Financial liabilities measured at fair value												
Forward exchange contracts used for hedging	*31C*	(7)	-	-	-	-	-	**(7)**	-	(7)	-	**(7)**
		(7)	-	-	-	-	-	**(7)**				

Ind AS 107.29 [1] The Group has not disclosed the fair values for financial instruments such as short-term trade receivables because their carrying amounts are a reasonable approximation of fair value.

Notes to the consolidated financial statements (continued)

Ind AS 107.8, 25, 113.93(a)-(b), 97, 99

32. Financial instruments - Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

In thousands of INR

		Carrying amount							Fair value			
	Note	Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI-debt instruments	FVOCI-equity instruments	Other financial assets - amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value[1]												
Bank overdraft	23	-	-	-	-	-	(303)	-				
Secured bank loans	26	-	-	-	-	-	(11,201)	-	-	(11,680)	-	**(11,680)**
Unsecured bank loans - short-term	26	-	-	-	-	-	(1,000)	-	-	(1,000)	-	**(1,000)**
Unsecured bank loan - others	26	-	-	-	-	-	(10,317)	-	-	(10,522)	-	**(10,522)**
Finance lease obligations	26	-	-	-	-	-	(1,977)	-	-	(2,078)	-	**(2,078)**
Loan from associate	26	-	-	-	-	-	(1,000)	-	-	(1,028)	-	**(1,028)**
Trade payables	31A	-	-	-	-	-	(30,620)	-				
		-	-	-	-	-	**(56,418)**	-				

[1] The Group has not disclosed the fair values for financial instruments such as short-term trade payables, because their carrying amounts are a reasonable approximation of fair value.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the balance sheet, as well as the significant unobservable inputs used. Related valuation processes are described in Note 2(E).

Ind AS 113.93(d), (h)

Financial instruments measured at fair value

Ind AS 103.B67(b)(iii), Ind AS 113.99

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast revenue and EBITDA, the amount to be paid under each scenario and the probability of each scenario.	- Forecast annual revenue growth rate (31 March 2017: 3-8%). - Forecast EBITDA margin (31 March 2017: 8%) - Risk-adjusted discount rate (31 March 2017: 5.5%).	The estimated fair value would increase (decrease) if: - the annual revenue growth rate were higher (lower); - the EBITDA margin were higher (lower);or - the risk-adjusted discount rate were lower (higher). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.
Equity securities	*Market comparison technique*: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the relevant equity securities.	Forecast annual revenue growth rate (31 March 2017: 2-6%; 31 March 2016: 3-7%). - Forecast EBITDA margin (31 March 2017: 4%; 31 March 2016: 4%) - Adjusted market multiple (31 March 2017: 4-6; 31 March 2016: 4-7%)).	The estimated fair value would increase (decrease) if: - the annual revenue growth rate were higher (lower); - the EBITDA margin were higher (lower);or - the adjusted market multiple were higher (lower). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

B. Measurement of fair values (continued)

i. Valuation techniques and significant unobservable inputs (continued)

Ind AS 113.93(d), (h)

Financial instruments measured at fair value (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Corporate debt securities	*Market comparison/discounted cash flow*: The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.
Government debt securities	*Discounted cash flow*: The fair value is estimated considering a net present value calculated using discount rates derived from quoted prices of government securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.
Forward exchange contracts	*Forward pricing*: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

B. Measurement of fair values (continued)

i. Valuation techniques and significant unobservable inputs (continued)

Financial instruments measured at fair value (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Interest rate swaps	*Swap models:* The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the respective group entity and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable.	Not applicable.
Financial instruments not measured at fair value			
Financial liabilities[1]	*Discounted cash flows:* The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.	Not applicable	Not applicable

Ind AS 113.93(d), 97

[1] Financial liabilities include secured and unsecured bank loans, convertible debentures liability component, loans from associates, finance lease obligation and other financial liabilities.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

B. Measurement of fair values (continued)

ii. Transfers between Levels 1 and 2

At 31 March 2017, corporate debt securities at FVOCI with a carrying amount of INR 40 thousand have been transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management has used a valuation technique in which all significant inputs were based on observable market data. There have been no transfers from Level 2 to Level 1 in 2016-17 and no transfers in either direction in 2015-16.

iii. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

In thousands of INR

	Note	FVOCI Equity securities	Contingent consideration
Balance at 1 April 2015		223	-
Gain included in OCI			
- Net change in fair value (unrealised)		2	-
Purchases		-	-
Balance at 31 March 2016		225	
Balance at 1 April 2016		**225**	
Assumed in a business combination	*7*	**-**	**(250)**
Loss included in 'other expenses'			
- Net change in fair value (unrealised)	*10D*	**-**	**(20)**
Gain included in OCI			
- Net change in fair value (unrealised)		18	**-**
Transfers out of Level 3		(243)	**-**
Balance at 31 March 2017		**-**	**(270)**

Transfer out of Level 3

The Group holds an investment in equity shares of MSE Limited, which is classified as FVOCI, with a fair value of INR243 thousand at 31 March 2017 (31 March 2016: INR 225 thousand; 1 April 2015: INR 223 thousand). The fair value of this investment was categorised as Level 3 at 31 March 2016 (for information on the valuation technique, see (i) above). This was because the shares were not listed on a stock exchange and there were no recent observable arm’s length transactions in the shares.

During 2016-17, MSE Limited listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement has been transferred from Level 3 to Level 1 of the fair value hierarchy at 31 March 2017.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

B. Measurement of fair values (continued)

iii. Level 3 fair values (continued)

Sensitivity analysis

For the fair values of contingent consideration and FVOCI equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Contingent consideration

Effect in thousands of INR	**Profit or loss**	
	Increase	**Decrease**
31 March 2017		
Annual revenue growth rate (0.5% movement)	(80)	78
EBITDA margin (0.3% movement)	(60)	59
Risk-adjusted discount rate (1% movement)	90	(85)

Equity securities

Effect in thousands of INR	**OCI, net of tax**	
	Increase	**Decrease**
31 March 2016		
Annual revenue growth rate (0.5% movement)	70	(69)
EBITDA margin (0.2% movement)	79	(71)
Adjusted market multiple (5% movement)	81	(81)

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management[1]

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see (C)(ii));
- liquidity risk (see (C)(iii)); and
- market risk (see (C)(iv)).

i. Risk management framework

Ind AS 107.31, 33(b)

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations

The Company's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Ind AS 107.31, 33

ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers; loans and investments in debt securities.

Ind AS 107.35K(a), 36(a)

The carrying amounts of financial assets represent the maximum credit risk exposure.

[1] The financial risk disclosures presented are only illustrative and reflect the facts and circumstances of the Group. In particular, Ind AS 107 requires the disclosure of summary quantitative data about an entity's risk exposure based on information provided internally to an entity's key management personnel, although certain minimum disclosures are also required to the extent that they are not otherwise covered by the disclosures made under the 'management approach' above.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Ind AS 107.31, 33

Trade receivables and loans

Ind AS 107.33(a), 33(b), 35B(a), B8

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 4.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and none of these customers' balances are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are individuals or legal entities, whether they are a wholesale, retail or end-user customers, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

Ind AS 107.33(c)

The Group is monitoring the economic environment in Asia and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. Reductions in certain customer purchase limits continue to apply, particularly for customers operating in India and UK because the Group's experience is that the recent economic volatility has had a greater impact for customers in those countries than for customers in other countries.

Ind AS 107.35K(b)

Goods are sold subject to 'retention of title clauses', so that in the event of non-payment the Group may have a secured claim. The Group does not otherwise require collateral in respect of trade receivables and loans. The Group does not have trade receivable and loans for which no loss allowance is recognised because of collateral.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and loans (continued)

Ind AS 107.34(a), (c)

The Group's exposure to credit risk for trade receivables and loans by geographic region is as follows[1].

In thousands of INR	Carrying amount		
	31 March 2017	**31 March 2016**	**1 April 2015**
India	12,461	9,062	8,831
United Kingdom	3,029	2,590	3,023
United States of America	7,939	5,938	3,898
Switzerland	431	367	520
Other	47	42	39
	23,907	**17,999**	**16,311**

Ind AS 107.34(a), (c)

The Group's exposure to credit risk for trade receivables and loans by type of counterparty is as follows.

In thousands of INR	Carrying amount		
	31 March 2017	**31 March 2016**	**1 April 2015**
Wholesale customers	16,852	11,511	9,483
Retail customers	6,478	5,600	6,100
End-user customers	239	856	680
Other	338	32	48
	23,907	**17,999**	**16,311**

Ind AS 107.34(a), (c)

At 31 March 2017, the carrying amount of the Group's most significant customer (an Indian wholesaler) is INR 1,534 thousand (31 March 2016: INR 1,186 thousand; 1 April 2015: INR 1,017 thousand).

[1] *Ind AS 107R.IG18* Concentrations of credit risk may arise from industry sectors, credit ratings, geographic distribution or a limited number of individual counterparties. Identifying concentrations of credit risk requires judgement in the light of specific circumstances.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and loans (continued)

Ind AS 107.34(a), 35M, B8I

A summary of the Group's exposure to credit risk for trade receivables and loans is as follows.

In thousands of INR

	31 March 2017		31 March 2016		1 April 2015	
	Not credit-impaired	**Credit-impaired**	**Not credit-impaired**	**Credit-impaired**	**Not credit-impaired**	**Credit-impaired**
External credit ratings at least BBB-from [*Rating Agencies S&P or CRISIL*]	11,702	-	8,236	-	7,473	-
Other customers:						
Four or more years' trading history with the Group*	9,787	-	7,387	-	6,711	-
Less than four years' trading history with the Group*	1,836	-	1,790	-	1,621	-
Higher risk	662	120	568	152	520	89
Gross carrying amount	**23,987**	**120**	**17,981**	**152**	**16,325**	**89**
Loss allowance	(190)	(10)	(122)	(12)	(94)	(9)
	23,797	**110**	**17,859**	**140**	**16,231**	**80**

* Excluding higher risk.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and loans (continued)

Expected credit loss (ECL) assessment for corporate customers as at 1 April 2015, 31 March 2016 and 31 March 2017

Ind AS 107.35B(a), 35F(c), 35(G)(a)–(b)

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of loss and are aligned to external credit rating definitions from agencies S&P and/ or CRISIL.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an expected credit loss rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

Scalar factors are based on GDP forecast and industry outlook and include the following: 1.3 for India, 0.9 for UK,1.1 for USA and 1.8 for the industry.

Ind AS 107.35M, B8I

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables for corporate customers as at 31 March 2017.

31 March 2017

In thousands of INR	**Equivalent to external credit rating [*CRISIL*]**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Whether credit -impaired**
Grades 1-6: *Low risk*	BBB- to AAA	0.24%	3,869	(9)	No
Grades 7-9: *Fair risk*	BB- to BB+	0.81%	12,714	(104)	No
Grade 10: *Substandard*	B- to B+	3.94%	890	(35)	No
Grade 11: *Doubtful*	C to CCC+	4.95%	101	(5)	Yes
Grade 12: *Loss*	D	27.27%	11	(3)	Yes
			17,585	**(156)**	

31 March 2016

In thousands of INR	**Equivalent to external credit rating [*CRISIL*]**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Whether credit -impaired**
Grades 1-6: *Low risk*	BBB- to AAA	0.22%	3,095	(6)	No
Grades 7-9: *Fair risk*	BB- to BB+	0.77%	8,696	(67)	No
Grade 10: *Substandard*	B- to B+	3.85%	584	(23)	No
Grade 11: *Doubtful*	C to CCC+	4.24%	118	(5)	Yes
Grade 12: *Loss*	D	22.22%	9	(2)	Yes
			12,502	**(103)**	

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and loans (continued)

1 April 2015

In thousands of INR	**Equivalent to external credit rating [*CRISIL*]**	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**	**Whether credit - impaired**
Grades 1-6: *Low risk*	BBB- to AAA	0.21%	2,256	(5)	No
Grades 7-9: *Fair risk*	BB- to BB+	0.71%	7,463	(50)	No
Grade 10: *Substandard*	B- to B+	3.26%	520	(16)	No
Grade 11: *Doubtful*	C to CCC+	4.63%	54	(2)	Yes
Grade 12: *Loss*	D	25.00%	12	(2)	Yes
			10,305	**(75)**	

Expected credit loss assessment for individual customers as at 1 April 2015, 31 March 2016 and 31 March 2017

Ind AS 107.35B(a), 35F(c), 35(G)(a)-(b)

The Group uses an allowance matrix to measure the expected credit loss of trade receivables and loans from individual customers, which comprise a very large number of small balances.

Ind AS 109.B5.5.37

Based on the industry practices and the business environment in which the entity operates, management considers that the trade receivables and loans are in default (credit impaired) if the payments are more than 90 days past due.

Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between current and historical economic conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast unemployment rates and are as follows: 1.3 for India, 0.95 for UK and 1.2 for USA.

Ind AS 107.35M, 35N

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables and loans from individual customers.

31 March 2017

In thousands of INR	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance**	**Whether credit - impaired**
Current (not past due)	5,163	0.12%	(6)	No
1-30 days past due	1,074	0.81%	(9)	No
31-60 days past due	202	7.81%	(16)	No
61-90 days past due	75	14.86%	(11)	No
More than 90 days past due	8	25.00%	(2)	Yes
	6,522		**(44)**	

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Trade receivables and loans (continued)

31 March 2016

In thousands of INR	Gross carrying amount	Weighted-average loss rate	Loss allowance	Credit-impaired
Current (not past due)	4,458	0.09%	(4)	No
1-30 days past due	927	0.60%	(6)	No
31-60 days past due	174	5.29%	(9)	No
61-90 days past due	47	15.83%	(7)	No
More than 90 days past due	25	20.00%	(5)	Yes
	5,631		**(31)**	

1 April 2015

In thousands of INR	Gross carrying amount	Weighted-average loss rate	Loss allowance	Credit-impaired
Current (not past due)	4,822	0.08%	(4)	No
1-30 days past due	1,002	0.56%	(6)	No
31-60 days past due	188	4.99%	(9)	No
61-90 days past due	74	10.14%	(7)	No
More than 90 days past due	23	10.87%	(2)	Yes
	6,109		**(28)**	

Movements in the allowance for impairment in respect of trade receivables and loans

Ind AS 107.35H

The movement in the allowance for impairment in respect of trade receivables and loans is as follows:

In thousands of INR	31 March 2017	31 March 2016
Balance at 1 April	134	103
Amounts written off	(84)	(194)
Net remeasurement of loss allowance	150	225
Balance at 31 March	**200**	**134**

Ind AS 107.35L

Trade receivables with a contractual amount of INR 70 thousand written off during 2016-17 (2015-16: INR 85 thousand) are still subject to enforcement activity.

Ind AS 107.35H–I, B8D

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the impairment loss allowance during 2016-17:

– the growth of the business in India and UK resulted in increases in trade receivables of INR 4,984 thousand and INR 5,556 thousand respectively and increases in impairment allowances in 2016-17 of INR 30 thousand and INR 44 thousand respectively; and

– increases in credit-impaired balances in USA of INR 243 thousand resulted in increase of INR 45 thousand in impairment allowances in 2016-17.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities

Ind AS 107.33(a)-(b), 35B(a), 35F(a), 35G(a)-(b), B8

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of at least A-1 from S&P and/ or from CRISIL.

The Group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by S&P for each credit rating and are recalibrated based on current government bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

Ind AS 107.34(a), (c)

The exposure to credit risk for debt securities at amortised cost, at FVOCI and at FVTPL by geographic region is as follows:

In thousands of INR	**Net carrying amount**		
	31 March 2017	**31 March 2016**	**1 April 2015**
India	368	271	242
UK	1,624	2,335	2,083
Switzerland	437	427	381
USA	300	50	44
Other countries	68	114	102
	2,797	**3,197**	**2,852**

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

Ind AS 107.34(a), 35M, B8I

The following table presents an analysis of the credit quality of debt securities at amortised cost, at FVOCI and FVTPL. It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month expected credit loss (ECL) or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

	31 March 2017					31 March 2016					1 April 2015				
	FVTPL	**FVOCI**	**At amortised cost**			**FVTPL**	**FVOCI**	**At amortised cost**			**FVTPL**	**FVOCI**	**At amortised cost**		
In thousands of INR		**12 month ECL**	**12 month ECL**	**Lifetime ECL-not credit impaired**	**Lifetime ECL-credit impaired**		**12 month ECL**	**12 month ECL**	**Lifetime ECL-not credit impaired**	**Lifetime ECL-credit impaired**		**12 month ECL**	**12 month ECL**	**Lifetime ECL-not credit impaired**	**Lifetime ECL-credit impaired**
BBB- to AAA	243	122	1,773	-	-	568	380	1,640	-	-	396	379	1,508	-	-
BB- to BB+	-	-	-	208	-	-	-	-	189	-	-	-	-	173	-
B- to B+	-	-	-	113	-	-	-	-	103	-	-	-	-	94	-
C to CCC+	-	-	-	251	-	-	-	-	228	-	-	-	-	208	-
D	-	-	-	-	224	-	-	-	-	166	-	-	-	-	126
Gross carrying amount	-	122	1,773	572	224	-	380	1,640	520	166	-	379	1,508	475	126
Loss allowance	-	(1)	(13)	(27)	(93)	-	(4)	(10)	(15)	(45)	-	(4)	(4)	(9)	(37)
Amortised cost	-	121	1,760	545	131	-	376	1,630	505	121	-	375	1,504	466	89
Carrying amount	243	118	1,760	545	131	568	373	1,630	505	121	396	373	1,504	466	112

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

The movement in the allowance for impairment for corporate debt securities at amortised cost is as follows.

	Year ended 31 March 2017				Year ended 31 March 2016			
In thousands of INR	**12 month ECL**	**Lifetime ECL-not credit impaired**	**Lifetime ECL-credit impaired**	**Total**	**12 month ECL**	**Lifetime ECL-not credit impaired**	**Lifetime ECL-credit impaired**	**Total**
Opening balance	10	15	45	70	4	9	37	50
Net remeasurement of loss allowance	3	25	47	75	9	6	11	26
Transfer to lifetime ECL-not credit-impaired	(1)	1	-	-	-	-	-	-
Transfer to lifetime ECL-credit-impaired	-	(8)	8	-	-	-	-	-
Financial assets derecognised	(1)	(6)	(8)	(15)	(6)	(1)	(8)	(15)
New financial assets acquired	2	-	1	3	3	1	5	9
Closing balance	13	27	93	**133**	10	15	45	**70**

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

ii. Credit risk (continued)

Debt securities (continued)

Ind AS 107.35H–I, B8D

The following contributed to the increase in the loss allowance during 2016-17:

- An issuer of a debt security with a gross carrying amount of INR 25 thousand entered administration. The Group classified the debt security as credit-impaired and increased the loss allowance by INR 20 thousand.
- A recession in UK in the fourth quarter of 2016-17 resulted in credit rating downgrades and transfers to lifetime ECL measurement, with consequent increases in loss allowances of INR 20 thousand.

The movement in the allowance for impairment for corporate debt securities at FVOCI is as follows.

In thousands of INR	**Year ended 31 March 2017**	**Year ended 31 March 2016**
	12-month ECL	**12-month ECL**
Opening balance	4	4
Net remeasurement of loss allowance	1	-
Financial assets derecognised	(6)	-
New financial assets acquired	2	-
Closing balance	**1**	**4**

Cash and cash equivalents

Ind AS 107.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–b), 35K(a), 35M

The Group holds cash and cash equivalents of INR 1, 475 thousand at 31 March 2017 (31 March 2016: INR 2,130 thousand; 1 April 2015: 2,529). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on CRISIL ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents as used for debt securities.

Ind AS 107.35H

On initial application of Ind AS 109, the Group recognised an impairment allowance as at 1 April 2015 in the amount of INR 1 thousand. The amount of the allowance increased by INR 3 thousand during 2016-17 (2015-16: INR 2 thousand).

Derivatives

Ind AS 107.33(a)–(b), 34(a)

The derivatives are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on CRISIL ratings.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

Ind AS 107.31, 33

iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

Ind AS 107.34(a), 39(c), B10A

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next six months. The ratio of cash and cash equivalents and other highly marketable debt investments to outflows is 1.65 at 31 March 2017 (31 March 2016: 1.58; 1 April 2015: 1.45). The Group also monitors the level of expected cash inflows on trade receivables and loans together with expected cash outflows on trade payables and other financial liabilities. At 31 March 2017, the expected cash flows from trade receivables and loans maturing within two months are INR 12,331 thousand (31 March 2016: INR 8,940 thousand; 1 April 2015: INR 7,800 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Ind AS 107.B11F

In addition, the Group maintains the following lines of credit.

- INR 10 thousand overdraft facility that is unsecured. Interest would be payable between 12 percent and 14 percent (31 March 2016: between 11.25 per cent and 13.5 per cent; 1 April 2015: between 11 per cent and 12.5 per cent).

- INR 15 thousand facility that is unsecured and can be drawn down to meet short-term financing needs.

The facility has a 30- day maturity that renews automatically at the option of the Group. Interest would be payable at a rate of 11.5 percent (31 March 2016: 11.5 per cent; 1 April 2015: 11 percent).

Notes to the consolidated financial statements (continued)

32 Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iii. Liquidity risk (continued)

Ind AS 107.31, 33

Exposure to liquidity risk

Ind AS 107.39(a)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements [1].

31 March 2017

Ind AS 107.39(a), B11A-B11D

		Contractual cash flows					
In thousands of INR	**Carrying amount**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Contingent consideration	270	(330)	-	-	-	(330)	-
Bank overdraft	334	(334)	(334)	-	-	-	-
Secured bank loans	7,012	(7,298)	(4,401)	(60)	(1,527)	(1,310)	-
Unsecured bank loan – short-term	500	(523)	(523)	-	-	-	-
Unsecured bank loan - others	9,200	(10,631)	(230)	(230)	(3,524)	(6,647)	-
Convertible debentures	4,678	(5,750)	(150)	(150)	(300)	(5,150)	-
Redeemable preference shares	1,939	(2,528)	(44)	(44)	(88)	(264)	(2,088)
Dividends on redeemable preference shares	75	(75)	(75)	-	-	-	-
Finance lease obligations	1,928	(2,663)	(267)	(268)	(450)	(678)	(1,000)
Trade payables	23,258	(23,258)	(23,258)	-	-	-	-
Liabilities on account of share purchase plan	223	(223)	(223)	-	-	-	-
	49,417	(53,613)	(29,505)	(752)	(5,889)	(14,379)	(3,088)

[1] The Group has disclosed a contractual maturity analysis for its financial liabilities, which is the minimum disclosure under Ind AS 107 in respect of liquidity risk. Because Ind AS 107 does not mandate the number of time bands to be used in the analysis, the Group has applied judgement to determine an appropriate number of time bands.

The Group has included both the interest and principal cash flows in the analysis. In our view, this best represents the liquidity risk being faced by the Group.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iii. Liquidity risk (continued)

Exposure to liquidity risk (continued)

31 March 2017

Ind AS 107.39(b), B11A-B11D

In thousands of INR	Carrying amount	Contractual cash flows: Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Derivative financial liabilities[1]							
Interest rate swaps used for hedging	20	(21)	-	(21)	-	-	-
Forward exchange contracts used for hedging:							
Outflow	8	(152)	(91)	(61)	-	-	-
Inflow	-	142	85	57	-	-	-
	28	(31)	(6)	(25)	-	-	-

31 March 2016

Ind AS 107.39(a), B11A-B11D

In thousands of INR	Carrying amount	Contractual cash flows: Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank overdraft	282	(290)	(290)	-	-	-	-
Secured bank loans	11,093	(12,133)	(5,105)	(140)	(3,780)	(3,108)	-
Unsecured bank loan – short-term	117	(120)	(120)	-	-	-	-
Unsecured bank loan - others	9,200	(12,420)	(230)	(230)	(460)	(4,444)	(7,056)
Finance lease obligations	2,182	(3,186)	(265)	(266)	(458)	(666)	(1,531)
Loan from associate	1,000	(1,960)	(240)	(240)	(1,480)	-	-
Trade payables	24,363	(24,363)	(24,363)	-	-	-	-
	48,237	(54,472)	(30,613)	(876)	(6,178)	(8,218)	(8,587)

[1] In our view, the maturity analysis should include all derivative financial liabilities, but contractual maturities are only required for those items that are essential for an understanding of the timing of the cash flows.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iii. Liquidity risk (continued)

Exposure to liquidity risk (continued)

31 March 2016

Ind AS 107.39(b), B11A-B11D

In thousands of INR	Carrying amount	Contractual cash flows: Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Derivative financial liabilities[1]							
Interest rate swaps used for hedging	5	(5)	-	(5)	-	-	-
Forward exchange contracts used for hedging:							
- Outflow	7	(41)	(25)	(16)	-	-	-
- Inflow	-	32	19	13	-	-	-
	12	(14)	(6)	(8)	-	-	-

1 April 2015

Ind AS 107.39(a), B11A-B11D

In thousands of INR	Carrying amount	Contractual cash flows: Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Bank overdraft	303	(303)	(303)	-	-	-	-
Secured bank loans	11,201	(12,075)	(4,780)	(2,345)	(1,450)	(3,500)	-
Unsecured bank loan – short-term	1,000	(1,100)	(1,100)	-	-	-	-
Unsecured bank loan - others	10,317	(12,880)	(230)	(230)	(460)	(4,444)	(7,516)
Finance lease obligations	1,977	(3,644)	(265)	(266)	(458)	(666)	(1,989)
Loan from associate	1,000	(1,960)	-	-	(480)	(1,480)	-
Trade payables	30,620	(30,620)	(30,620)	-	-	-	-
	56,418	(62,582)	(37,298)	(2,841)	(2,848)	(10,090)	(9,505)

[1] In our view, the maturity analysis should include all derivatives financial liabilities, but contractual maturities only are required for those essential for an understanding of the timing of the cash flows.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iii. Liquidity risk (continued)

1 April 2015 *In thousands of INR*	**Carrying amount**	**Total**	**Contractual cash flows** **6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Derivative financial liabilities							
Interest rate swaps used for hedging	-	-	-	-	-	-	-
Forward exchange contracts used for hedging:							
Outflow	7	(9)	(5)	(4)	-	-	-
Inflow	-	460	110	350	-	-	-
	7	451	105	346	-	-	-

Ind AS 107.39(b), B11A-B11D

Ind AS 107.39(b)-(c), B11D

The inflows/(outflows) disclosed in the above table represent contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Ind AS 107.B10A

As disclosed in Note 26, the Group has a secured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. In addition, convertible debentures will become repayable on demand if the Group's 'net debt to adjusted equity' ratio exceeds 1.95. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on contingent consideration and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts[1].

[1] When the amount payable is not fixed, the amount to be disclosed is determined with reference to conditions existing at the reporting date. For example, for a floating-rate unsecured bank loan with interest payments indexed to three-month MIBOR, in our view the amount to be disclosed should be based on forward rates rather than spot rates prevailing at the reporting date because the spot interest rates do not represent the level of the index based on which the cash flows will be payable. The forward interest rates better describe the level of the index in accordance with the conditions existing at the reporting date.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk

Ind AS 107.33

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the risk management committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currency for large number of Group companies is INR[1]. The currencies in which these transactions are primarily denominated are US dollars, sterling and Swiss francs.

Ind AS 107.22

At any point in time, the Group hedges 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

Currency risks related to the principal amounts of the Group's sterling and US dollar bank loans, taken out by INR functional currency Group companies, have been fully hedged using forward contracts that mature on the same dates as the loans are due for repayment. These contracts are designated as cash flow hedges.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group – primarily INR. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Ind AS 107.22

The Group's investment in its Swiss subsidiary, Oy Kossu AG, is hedged by a Swiss franc denominated secured bank loan having carrying amount of INR 1,260 thousand at 31 March 2017 (31 March 2016: INR 1,257 thousand; 1 April 2015: INR 1,250 thousand)), which mitigates the foreign currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 March 2017 was INR 1,090 thousand (31 March 2016: INR 1,050 thousand; 1 April 2015: INR 1,010 thousand). The loan is designated as a net investment hedge. No ineffectiveness has been recognised in respect of the net investment hedge. The Group's investments in other subsidiaries are not hedged.

[1] In these illustrative financial statements, it has been assumed that the functional currency of large number of group entities is INR. However, in an actual case, determination of functional currency requires a careful examination of facts and circumstances of the case.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

Ind AS 107.34(a)

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk (based on notional amounts) as reported to the management is as follows.

In thousands of INR

	31 March 2017				31 March 2016				1 April 2015			
	INR	**USD**	**GBP**	**CHF**	**INR**	**USD**	**GBP**	**CHF**	**INR**	**USD**	**GBP**	**CHF**
Trade receivables	4,477	8,365	2,367	-	3,099	6,250	1,780	-	2,694	4,880	2,092	-
Secured bank loans	-	(500)	(850)	(1,260)	-	(500)	(4,850)	(1,257)	-	(500)	(4,850)	(1,250)
Unsecured bank loans	-	(530)	-	-	-	-	-	-	-	(1,000)	-	-
Trade payables	(3,376)	(7,980)	(4,347)	-	(5,411)	(10,245)	(2,680)	-	(8,441)	(10,777)	(2,952)	-
Net exposure in respect of recognised assets and liabilities	1,101	(645)	(2,830)	(1,260)	(2,312)	(4,495)	(5,750)	(1,257)	(5,747)	(7,397)	(5,710)	(1,250)

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

Exposure to currency risk (continued)

	31 March 2017				31 March 2016				1 April 2015			
	INR	**USD**	**GBP**	**CHF**	**INR**	**USD**	**GBP**	**CHF**	**INR**	**USD**	**GBP**	**CHF**
Next 6 months' forecast sales[1]	9,000	11,000	8,000	-	18,700	8,000	12,000	-	17,000	9,000	11,000	-
Next 6 months' forecast purchases	(10,000)	(10,000)	(4,000)	-	(9,800)	(3,000)	(7,000)	-	(9,500)	(2,600)	(7,500)	-
Net forecast transaction exposure	(1,000)	1,000	4,000	-	8,900	5,000	5,000	-	7,500	6,400	3,500	-
Forward exchange contracts	-	(950)	(946)	-	-	(1,042)	(870)	-	-	(946)	(883)	-
Net exposure	**101**	**(595)**	**224**	**(1,260)**	**6,588**	**(537)**	**(1,620)**	**(1,257)**	**1,753**	**(1,943)**	**(3,093)**	**(1,250)**

Ind AS 107.34(a) [1]Disclosure of estimated forecast sales and purchases does not form part of the minimum disclosure requirements in Ind AS 107, because estimated forecast sales and purchases are not financial instruments. However, the Group has disclosed this information because it is relevant to an understanding of its exposure to currency risk. In addition, Ind AS 107 requires quantitative data about risk exposures to be based on information provided internally to key management personnel and the Group provides forecast sales and purchase information to management as part of its management of currency risk.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Currency risk (continued)

Ind AS 107.40

Sensitivity analysis

A reasonably possible strengthening (weakening) of the INR, US dollar, sterling or Swiss franc against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in thousands of INR	**Profit or loss**		**Equity, net of tax**	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
31 March 2017				
INR (9% movement)	(33)	33	25	(25)
USD (1% movement)	25	(25)	7	(7)
GBP (6% movement)	17	(17)	(5)	5
CHF (1% movement)	2	(2)	(30)	30
31 March 2016				
INR (10% movement)	(37)	37	28	(28)
USD (3% movement)	85	(85)	(8)	8
GBP (3% movement)	92	(92)	(7)	7
CHF (3% movement)	6	(6)	(50)	50

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Interest rate risk

Ind AS 107.22

The Group adopts a policy of ensuring that between 80 and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Ind AS 107.34(a)

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to management is as follows.

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Fixed rate instruments			
Financial assets	4,392	4,479	4,423
Financial liabilities	(15,621)	(9,819)	(11,340)
	(11,229)	(5,340)	(6,917)
Effect of interest rate swaps	(8,000)	(7,500)	7,000)
	(19,229)	(12,840)	(13,917)
Variable-rate instruments			
Financial assets	535	595	535
Financial liabilities	(10,073)	(14,067)	(14,155)
	(9,538)	(13,472)	(13,620)
Effect of interest rate swaps	8,000	7,500	7,000
	(1,538)	**(5,972)**	**(6,620)**

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Fair value sensitivity analysis for fixed-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by INR 4 thousand (2015-16: INR 9 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

A change of 100 basis points in interest rates would have increased or decreased equity by INR 65 thousand after tax (2015-16: INR 66 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable-rate instruments

Ind AS 107.40

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		**Equity, net of tax**	
Effect in thousands of INR	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 March 2017				
Variable-rate instruments	(100)	100	-	-
Interest rate swaps	61	(61)	310	(302)
Cash flow sensitivity (net)	(39)	39	310	(302)
31 March 2016				
Variable-rate instruments	(142)	142	-	-
Interest rate swaps	61	(61)	280	(275)
Cash flow sensitivity (net)	(81)	81	280	(275)

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Other market price risks

Ind AS 107.B5(a)(iii)

The Group is exposed to equity price risk, which arises from FVOCI equity securities held for partially meeting the unfunded portion of the Group's defined benefit pension obligations as well as from investments measured at fair value through profit or loss. The management monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

The primary goal of the Group's investment strategy is to maximise investment returns, both to partially meet the Group's unfunded defined benefit obligations and to improve its returns in general. Management is assisted by external advisers in this regard.

Ind AS 107.40

Sensitivity analysis-Equity price risk

All of the Group's listed equity investments are listed on the Bombay Stock Exchange (BSE) or the National Stock Exchange in India. For such investments classified as fair value through other comprehensive income, a 2% increase in the BSE Index at the reporting date would have increased equity by INR 28 thousand after tax (2015-16: an increase of INR 18 thousand after tax); an equal change in the opposite direction would have decreased equity by INR 28 thousand after tax (2015-16: a decrease of INR 18 thousand after tax). For such investments classified as at fair value through profit or loss, the impact of a 2% increase in the BSE Index at the reporting date on profit or loss would have been an increase of INR 16 thousand after tax (2015-16: INR 18 thousand after tax). An equal change in the opposite direction would have decreased profit or loss by INR 16 thousand after tax (2015-16: INR 18 thousand after tax).

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting[1]

Currency risk-Transactions in foreign currency

Ind AS 107.21C, 22A(a)

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of large number of Group companies is INR. The currencies in which these transactions are primarily denominated are US dollars, sterling and Swiss francs.

Ind AS 107.21A, 7.22A(b)–(c), 22C

The Group's risk management policy is to hedge 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

Ind AS 107.22B, 22B(a), 22B(c)

The Group designates the spot element of forward exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity separately as 'cost of hedging'. The Group's policy is for the critical terms of the forward exchange contracts to match with the hedged item.

Ind AS 107.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Ind AS 107.24B(a), 24C(a)

[1] The Group has not designated any fair value hedging relationships. For an entity that has a fair value hedge, the required disclosures would include:

- the carrying amount of the hedged item recognised in the balance sheet (presenting assets separately from liabilities);
- the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the balance sheet (presenting assets separately from liabilities);
- the line item in the balance sheet that includes the hedged item;
- the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; – the accumulated amount of fair value hedge adjustments remaining in the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses;
- hedge ineffectiveness – i.e. the difference between the hedging gains or losses of the hedging instrument and the hedged item recognised in profit or loss; and
- the line item in the statement of profit and loss that includes the recognised hedge ineffectiveness

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Currency risk-Transactions in foreign currency[1] (continued)

Ind AS 107.23D

In these hedging relationships, the main sources of ineffectiveness are :

– the effect of the counterparty and the Group's own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
– changes in the timing of the hedged transactions.

Interest rate risk

Ind AS 107.21C, 22A(b), (c), 22B, 22B(c), 22C

The Group adopts a policy of ensuring that between 80 and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

Ind AS 107.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional of hedging instruments or par amounts of hedged items.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Ind AS 107.23D

In these hedging relationships, the main sources of ineffectiveness are:

– the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
– differences in re-pricing dates between the swaps and the borrowings.

Ind AS 107.24C(b)(vi) [1]The Group did not designate any net positions in a hedging relationship. For an entity that did, the required disclosures would include the hedging gains or losses recognised in a separate line item in the statement of profit or loss and OCI.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges[1]

Ind AS 107.23B

At 31 March 2017, the Group holds the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity		
	1-6 months	**6-12 months**	**More than one year**
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of INR)	253	63	-
Average INR:USD forward contract rate	69.67	71.59	73.53
Average INR:GBP forward contract rate	87.36	89.98	92.60
Average INR:CHF forward contract rate	70.55	73.00	75.56
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of INR)	-	41	78
Average fixed interest rate	10.20%	10.40%	10.80%

Ind AS 107.23(a)

At 31 March 2016, the Group held the following instruments to hedge exposures to changes in foreign currency rates.

	Maturity		
	1-6 months	**6-12 months**	**More than one year**
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of INR)	293	73	-
Average INR:USD forward contract rate	66.60	67.83	67.97
Average INR:GBP forward contract rate	83.82	84.78	86.66
Average INR:CHF forward contract rate	66.67	68.13	68.71
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of INR)	-	37	113
Average fixed interest rate	10.15%	10.25%	10.60%

Ind AS107.23C, 34D [1] The Group does not frequently reset hedging relationships because both the hedging instrument and the hedged item frequently change (i.e. it does not use a dynamic process in which neither the exposure nor the hedging instruments used to manage that exposure remain the same for a long period). If it did, then it would be exempt from providing the disclosures required by paragraphs 23A and 23B of Ind AS 107, but would instead provide information about the ultimate risk management strategy, how it reflects its risk management strategy in its hedge accounting and designations, and how frequently hedging relationships are discontinued and restarted. If the volume of these hedges is unrepresentative of normal volumes during the year (i.e. the volume at the reporting date does not reflect the volumes during the year), then the entity would disclose that fact and the reason it believes the volumes are unrepresentative.

Ind AS107.23F, 24C(b)(iv)

The Group did not have any forecast transaction for which cash flow hedge accounting had been used in the previous period, but which is no longer expected to occur. If it did, then it would be required to disclose a description of the forecast transaction as well as the amount reclassified from the equity head 'effective portion of cash flow hedges' to profit or loss.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

At 1 April 2015, the Group held the following instruments to hedge exposures to changes in foreign currency rates.

	Maturity		
	1-6 months	**6-12 months**	**More than one year**
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of INR)	282	65	-
Average INR:USD forward contract rate	65.51	66.18	66.20
Average INR:GBP forward contract rate	95.16	97.74	99.02
Average INR:CHF forward contract rate	66.22	67.05	69.08
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of INR)	-	37	113
Average fixed interest rate	10.15%	10.25%	10.60%

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Ind AS 107.24B(b)

The amounts at the reporting date relating to items designated as hedged items are as follows:

In thousands of INR	**Change in value used for calculating hedge ineffectiveness**	**Effective portion of cash flow hedges**	**Costs of hedging**	**Balances remaining in equity head 'effective portion of cash flow hedges' from hedging relationships for which hedge accounting is no longer applied**
31 March 2017				
Foreign currency risk				
Sales, receivables and borrowings	23	154	(3)	-
Inventory purchases	15	101	(2)	-
Interest rate risk				
Variable-rate instruments	30	165	-	-
31 March 2016				
Foreign currency risk				
Sales, receivables and borrowings	(35)	181	26	-
Inventory purchases	(23)	119	-	-
Interest rate risk				
Variable-rate instruments	(42)	190	-	-

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Ind AS 107.21B, 21D, 24A, 24B(b)(i)-(ii), 24C(b)(i)-(v)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

In thousands of INR

	31 March 2017				During the period 2016-17								
		Carrying amount											
	Nominal amount	Assets	Liabilities	Line item in the balance sheet where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffecti-veness	Cost of hedging recognised in OCI	Amount transferred from equity head 'effective portion of cash flow hedges' to cost of inventory	Amount transferred from equity head 'costs of hedging' to cost of inventory	Amount reclassified from equity head 'effective portion of cash flow hedges' to profit or loss	Amount reclassified from equity head 'costs of hedging' to profit or loss	Line item in profit or loss affected by the reclassification
Foreign currency risk													
Forward exchange contracts-sales, receivables and borrowings	1,138	178	(5)	Derivative asset and derivative liability	(23)	(13)	Other expenses	20	-	-	(12)	6	Revenue
											(6)	2	Finance costs

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

	31 March 2017				During the year 2016-17								
		Carrying amount											
	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount transfer-red from equity head 'effective portion of cash flow hedges' to cost of inventory	Amount transferred from equity head 'costs of hedging' to cost of inventory	Amount reclassif-ied from equity head 'effective portion of cash flow hedges' to profit or loss	Amount reclassifie d from equity head 'costs of hedging' to profit or loss	Line item in profit or loss affected by the reclassifi-cation
Forward exchange contracts-inventory purchases	758	119	(3)		(15)	-		14	(8)	4	-	-	
Interest rate risk													
Interest rate swaps	8,000	116	(20)	Derivative asset and derivative liability	(24)	(2)	Finance costs	-	-	-	(13)	-	Finance costs

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	31 March 2016				During the year 2015-16								
		Carrying amount											
	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffective ness	Costs of hedging recognised in OCI	Amount transferred from equity head 'effective portion of cash flow hedges' to cost of inventory	Amount transferred from equity head 'costs of hedging' to cost of inventory	Amount reclassified from equity head 'effective portion of cash flow hedges' to profit or loss	Amount reclassifie d from equity head 'costs of hedging' to profit or loss	Line item in profit or loss affected by the reclassifi-cation
Foreign currency risk													
Forward exchange contracts-sales, receivables and borrowings	1,147	223	(4)	Derivative asset and derivative liability	29	(9)	Other expenses	6	-	-	(3)	1	Revenue
											(2)	1	Finance costs

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

	31 March 2016				During the period 2015-16								
		Carrying amount											
	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount transferred from equity head 'effective portion of cash flow hedges' to cost of inventory	Amount transferred from equity head 'costs of hedging' to cost of inventory	Amount reclassified from equity head 'effective portion of cash flow hedges' to profit or loss	Amount reclassified from equity head 'costs of hedging' to profit or loss	Line item in profit or loss affected by the reclassification
Forward exchange contracts-inventory purchases	765	152	(3)	Derivative asset and derivative liability	19	-		4	-	-	(1)	-	Cost of sales
Interest rate risk													
Interest rate swaps	7,500	131	(5)	Derivative asset and derivative liability	30	(4)	Finance costs	-	-	-	(5)	-	Finance costs

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

	1 April 2015			
		Carrying amount		
In thousands of INR	**Nominal amount**	**Assets**	**Liabilities**	**Line item in the balance sheet where the hedging instrument is included**
Foreign currency risk				
Forward exchange contracts - sales, receivables and borrowings	1,097	195	(3)	Derivative assets and derivatives liabilities
Forward exchange contracts - inventory purchases	732	133	(4)	Derivative assets and derivatives liabilities
Interest rate risk				
Interest rate swaps	7,000	110	-	Derivative assets and derivatives liabilities

Ind AS 107.24E-24F

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	31 March 2017	
In thousands of INR	**Equity head 'Effective portion of cash flow hedges'**	**Equity head 'Cost of hedging'**
Balance at 1 April 2016	478	(26)
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – inventory purchases	(15)	14
Foreign currency risk – other items	(23)	20
Interest rate risk	(24)	-
Amount reclassified to profit or loss:		
Foreign currency risk – other items	(18)	8
Interest rate risk	(13)	-
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	(8)	4
Tax on movements in relevant items of OCI during the year	31	(15)
Balance at 31 March 2017	408	5

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

In thousands of INR	**31 March 2016** Equity head 'Effective portion of cash flow hedges'	Equity head 'Cost of hedging'
Balance at 1 April 2015	434	(35)
Cash flow hedges		
Effective portion of changes in fair value:		
Foreign currency risk – inventory purchases	19	4
Foreign currency risk – other items	29	6
Interest rate risk	30	-
Amount reclassified to profit or loss:		
Foreign currency risk – inventory purchases	(1)	-
Foreign currency risk – other items	(5)	2
Interest rate risk	(5)	-
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	-	-
Tax on movements in relevant items of OCI during the year	(23)	(3)
Balance at 31 March 2016	**478**	**(26)**

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Net investment hedges

Ind AS 107.22A

A foreign currency exposure arises from the Group's net investment in its Swiss subsidiary that has a Swiss franc as its functional currency. The risk arises from the fluctuation in spot exchange rates between the Swiss franc and the INR, which causes the amount of the net investment to vary.

Ind AS 107.22A

The hedged risk in the net investment hedge is the risk of a weakening Swiss franc against the INR that will result in a reduction in the carrying amount of the Group's net investment in the Swiss subsidiary.

Ind AS 107.22B, 23D

Part of the Group's net investment in its Swiss subsidiary, Oy Kossu AG is hedged by a Swiss franc denominated secured bank loan having carrying amount of INR 1,260 thousand at 31 March 2017 (31 March 2016: INR 1,257 thousand; 1 April 2015: INR 1,250 thousand), which mitigates the foreign currency risk arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the INR/ Swiss franc spot rate.

Ind AS 107.23B

The Group assesses effectiveness by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Net investment hedges (continued)

Ind AS 107.24A, 24B(b)(i), 24C(b)(i)-(iii)

The amounts relating to items designated as hedging instruments as at and for the year ended 31 March 2017 are as follows:

	31 March 2017				During the period 2016-2017					
		Carrying amount								
	Nominal amount	Assets	Liabilities	Line item in the balance sheet where the hedging instrument is included	Change in value used for calculating hedge ineffectiveness for 2016-17	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from equity head 'effective portion of cash flow hedges' to profit or loss	Line item affected in profit or loss because of the reclassification
Foreign exchange-denominated debt (CHF)	1,260	-	1,260	Borrowings	(4)	(3)	(1)	Other expenses	-	Not applicable

Ind AS 107.24B(b)(i)-(iii)

The amounts related to items designated as hedged items as at and for the year ended 31 March 2017 are as follows:

In thousands of INR

	31 March 2017	During the period 2016-2017	
	Change in value used for calculating hedge ineffectiveness	Equity head 'exchange differences on translation of foreign operations'	Balances remaining in the Equity head 'exchange differences on translation of foreign operations' from hedging relationships for which hedge accounting is no longer applied
CHF net investment	3	125	-

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

C. Financial risk management (continued)

iv. Market risk (continued)

Hedge accounting (continued)

Net investment hedges (continued)

The amounts relating to items designated as hedging instruments as at and for the year ended 31 March 2016 as follows:

In thousands of INR

	31 March 2016				During the period 2015-2016					
		Carrying amount								
	Nominal amount	Assets	Liabilities	Line item in the balance sheet where the hedging instrument is included	Change in value used for calculating hedge ineffectiveness for 2015-16	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from equity head 'effective portion of cash flow hedges' to profit or loss	Line item affected in profit or loss because of the reclassification
Foreign exchange-denominated debt (CHF)	1,257	-	1,257	Borrowings	(8)	(7)	(1)	Other expenses	-	Not applicable

The amounts related to items designated as hedged items as at and for the year ended 31 March 2016 as follows:

	31 March 2016	During the period 2015-2016	
In thousands of INR	Change in value used for calculating hedge ineffectiveness	Equity head 'exchange differences on translation of foreign operations'	Balances remaining in the Equity head 'exchange differences on translation of foreign operations' from hedging relationships for which hedge accounting is no longer applied
CHF net investment	8	105	-

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

D. Master netting or similar agreements[1]

Ind AS 107.13B, 13E, B50

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA master netting agreements do not meet the criteria for offsetting in the balance sheet. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

Ind AS 107.13C, B51–B52

[1] The disclosure requirements in paragraph 13C of Ind AS 107 may be grouped by type of financial instrument or transaction. Alternatively, an entity may present the disclosures in paragraph 13C(a)–(c) by type of financial instrument, and those in 13C(c)–(e) by counterparty.

Ind AS 107.13C, B52–B53,

The disclosure requirements laid down in paragraph 13C of Ind AS 107 are minimum requirements. An entity supplements them with additional qualitative disclosures if necessary for financial statement users to evaluate the actual or potential effect of netting arrangements on its financial position. When disclosing quantitative information by counterparty, an entity considers qualitative disclosure about the type of counterparty.

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

D. Master netting or similar agreements (continued)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

In thousands of INR	**Gross and net amounts of financial instruments in the balance sheet**	**Related financial instruments that are not offset**	**Net amount**
31 March 2017			
Financial assets			
Derivative			
Interest rate swaps used for hedging	116	(5)	111
Forward exchange contracts used for hedging	297	(16)	281
Other forward exchange contracts	122	(7)	115
	535	**(28)**	**507**
Financial liabilities			
Derivative			
Interest rate swaps used for hedging	(20)	20	-
Forward exchange contracts used for hedging	(8)	8	-
	(28)	**28**	**-**
31 March 2016			
Financial assets			
Derivative			
Interest rate swaps used for hedging	131	(2)	129
Forward exchange contracts used for hedging	375	(8)	367
Other forward exchange contracts	89	(2)	87
	595	**(12)**	**583**

Notes to the consolidated financial statements (continued)

32. Financial instruments - Fair values and risk management (continued)

D. Master netting or similar agreements (continued)

In thousands of INR	Gross and net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
Financial liabilities			
Derivative			
Interest rate swaps used for hedging	(5)	5	-
Forward exchange contracts used for hedging	(7)	7	-
	(12)	**12**	**-**
1 April 2015			
Financial assets			
Derivative			
Interest rate swaps used for hedging	110	(8)	102
Forward exchange contracts used for hedging	328	(12)	316
Other forward exchange contracts	97	(9)	88
	535	**(29)**	**506**
Financial liabilities			
Derivative			
Forward exchange contracts used for hedging	(7)	7	-
	(7)	**7**	**-**

Notes to the consolidated financial statements (continued)

33. Operating leases

See accounting policy in Note 3(q).

A. Leases as lessee

Ind AS 17.35(d)

The Group has taken on lease a number of offices, warehouse and factory facilities under operating leases. The leases typically run for a period of six to ten years, with an option to renew the lease after that period. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in specified local price indices.

Ind AS 1.122, 17.15A

The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Group does not have an interest in the residual value of the land and building. As a result, it was determined that substantially all the risks and rewards of the land and building are with the landlord and therefore the land and building elements of the warehouse and factory leases are classified as operating leases.

Ind AS 17.35(b)

One of the leased properties that is no longer required for use by the Group has been sublet. The lease and sublease expire in 2017-18. Sublease payments of INR 50 thousand are expected to be received during 2017-18. The Group has recognised as an 'onerous contract' provision of INR 160 thousand in respect of this lease (see Note 30).

Ind AS 17.35(a)

i. Future minimum lease payments

At 31 March, the future minimum lease payments to be made under non-cancellable operating leases are as follows:

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Payable in less than one year	417	435	420
Payable between one and five years	419	486	452
Payable after more than five years	1,764	1,805	2,018
	2,600	**2,726**	**2,890**

ii. Amounts recognised in profit or loss

In thousands of INR

Ind AS 17.35 (c)

	Note	Year ended 31 March 2017	Year ended 31 March 2016
Lease expense – minimum lease payments		435	447
Contingent rent expense		40	30
Sub-lease income	*9*	(50)	(50)

B. Leases as lessor

Ind AS 17.56(c)

The Group leases out its investment property on operating lease basis (see Note 17).

Ind AS 17.56(a)

i. Future minimum lease payments

At 31 March, the future minimum lease payments under non-cancellable leases are receivable as follows:

In thousands of INR

	31 March 2017	31 March 2016	1 April 2015
Within less than one year	740	170	180
Between one and five years	3,890	1,050	1,001
After more than five years	3,550	951	1,104
	8,180	**2,171**	**2,285**

Notes to the consolidated financial statements (continued)

33. Operating leases (continued)

Leases as lessor (continued)

ii. Amounts recognised in profit or loss

Ind AS 40.75(f)(i)-(iii)

During the year ended 31 March 2017, property rentals of INR 810 thousand (31 March 2016: INR 212 thousand) have been included in revenue from operations (see Note 8). Repairs and maintenance expense, recognised in profit or loss, is as follows:

In thousands of INR

	Year ended 31 March 2017	**Year ended 31 March 2016**
Income-generating property	190	70
Vacant property	55	15
	245	**85**

Notes to the consolidated financial statements (continued)

Sch III.I.GI.H.

34. Contingent liabilities and commitments
(to the extent not provided for)

In thousands of INR

	31 March 2017	31 March 2016
Contingent liabilities		
a. Claims against the Group not acknowledged as debts		
Income tax matters (see Note (i), (iii) and (iv) below)	180	194
Excise duty, service tax and customs duty matters (see Note (i), (iii) and (iv) below)	176	152
Action brought by an environmental agency in Europe (see Note (i) and (ii) below)	290	-
Other matters including claims related to employees/ ex-employees, etc. (see Note (i), (iii) and (iv) below)	74	94
	720	**440**
b. Contingent liabilities relating to interest in Joint Venture	97	78
c. Guarantees outstanding	600	-

Notes

Ind AS 1.125, Ind AS 37.86

i. Pending resolution of the respective proceedings, it is not practicable for the Group to estimate the timings of cash outflows, if any, in respect of the above as it is determinable only on receipt of judgements/decisions pending with various forums/authorities.

ii. A subsidiary is defending an action brought by an environmental agency in Europe. While liability is not admitted, if defence against the action is unsuccessful, then fines and legal costs could amount to INR 370 thousand (31 March 2016: Nil) of which INR 80 thousand would be reimbursable under an insurance policy. Based on legal advice, the management does not expect the outcome of the action to have a material effect on the Group's financial position.

Ind AS 16.74(c)

iii. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial position. The Group does not expect any reimbursements in respect of the above contingent liabilities except in respect of action brought by an environmental agency as stated in (ii) above.

iv. The Group has guaranteed to an unrelated party the performance of a subsidiary in relation to a contract for the supply of paper products. The terms of the contract contain a minimum compensation payment of INR 600 thousand to the unrelated party in the event of default (31 March 2016: Nil). The contract is due to be fulfilled by 30 September 2017.

Notes to the consolidated financial statements (continued)

Sch III.I.GI.H.

34. Contingent liabilities and commitments (continued)

In thousands of INR

	31 March 2017	31 March 2016
Commitments[1]		
a. Estimated amount of contracts remaining to be executed on capital account and not provided for (see Notes (i) and (ii) below)	1,624	49
b. Commitments relating to interest in joint venture (see Note (iii) below)		

Notes

i. As at 31 March 2017, the Group is committed to spend INR 1,465 thousand (31 March 2016: Nil) under a contract to purchase property, plant and equipment.

ii. The Group's joint venture is committed to incur capital expenditure of INR 23 thousand (31 March 2016: INR 11 thousand) (see Note 20), of which the Group's share of the commitment is INR 9 thousand (31 March 2016: INR 4 thousand). The Group is itself committed to incur capital expenditure of 150 thousand (31 March 2016: INR 45 thousand). These commitments are expected to be settled in the following financial year.

iii. Apart from the above, in accordance with the agreement under which Paletel is established, the Group and the other investor in the joint venture have agreed to make additional contributions in proportion to their interests to make up any losses, if required, up to a maximum amount of INR 6,000 thousand. This commitment has not been recognised in these consolidated financial statements.

Ind AS 38.122(e), 40.75(h), 41.49(b)

[1] An entity also discloses the amount of contractual commitments for the acquisition of intangible assets, development or acquisition of biological assets, and for the purchase, construction, development, repairs and maintenance of investment property. Commitments would also include all expenditure related to contractual commitments other than capital commitments such as commitments arising from long-term contracts for purchase of raw material, employee contracts, lease commitments, etc.

Notes to the consolidated financial statements (continued)

35. Related parties

A. Parent and ultimate controlling party

Ind AS 1.138(c), 24.13

During the year ended 31 March 2017 a majority of the Company's shares were acquired by Cameron Paper Co from Brown Products Corporation. As a result the new ultimate controlling party of the Group is AJ Pennypacker[1, 2].

B. Transactions with key management personnel

Ind AS 24.18

i. Loans to directors

The Group has a scheme for granting housing loans to employees including directors. As per the scheme, the employees are offered a loan facility of up to INR 150 thousand repayable within seven years from the date of disbursement. Unsecured loans to directors granted during the year ended 31 March 2017 amount to INR 85 thousand (2015-16: INR 32 thousand). The interest rate is the prevailing yield of Government Security closest to the tenor of the loan. The loans outstanding are repayable in cash within 12 months from the reporting date (see Note 22B).

	Purpose	Year ended 31 March 2017	Year ended 31 March 2016	As at 1 April 2015
As at the beginning of the financial year	Housing	22	18	-
Given during the financial year	personal loan	85	32	-
Repaid during the financial year		(52)	(28)	-
		55	**22**	**18**
Loss allowance		(2)	(1)	(1)
As at the end of the financial year (net)		53	21	17
Interest		(5)	(3)	(1)

Ind AS 19.135

ii. Key management personnel compensation

Ind AS 24.17

In thousands of INR	Year ended 31 March 2017	Year ended 31 March 2016
Short-term employee benefits	510	420
Post-employment defined benefit	47	45
Compensated absences	12	14
Share-based payments	508	133
Termination benefits	25	-
	1,102	**612**

Compensation of the Group's' key managerial personnel includes salaries, non-cash benefits and contributions to post-employment defined benefit plan (see Note 27).

Executive officers also participate in the Group's share option plan (see Note 28). Furthermore, certain employees of the Group are entitled to participate in a share purchase plan (see Note 28) if they meet certain conditions including saving a specified percentage of each month's salary for a period of 36 months. Consequently, the Group has deducted INR 223 thousand (2015-16: Nil) from the salaries of all employees concerned, which is included in other financial liabilities (see Note 31B), and includes an amount of INR 37 thousand (2015-16: Nil) that relates to key management personnel.

Ind AS 24.17(d)

As a result of the termination of the employment of one of the Group's executives in France, the executive received an enhanced retirement benefit entitlement. Accordingly, the Group has recognised an expense of INR 25 thousand during the year (2015-16: Nil).

***iii.* Transactions with key management personnel including directors**

Directors of the Company control 12 percent of the voting shares of the Company. A relative of a director of a subsidiary has a 10 percent share in the Group's joint venture (see Note 18).

[1] Include if applicable.

Ind AS 24.13

[2] If the entity's parent does not produce financial statements available for public use, then the entity discloses the name of the next controlling party that does so.

Notes to the consolidated financial statements (continued)

35. Related parties (continued)

B. Transactions with key management personnel (continued)

***iii.* Transactions with key management personnel including directors (continued)**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over those entities.

Ind AS 24.18(b)(i)

A number of these entities transacted with the Group during the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or those which might reasonably be expected to be available, in respect of similar transactions with non-key management personnel related entities on an arm's length basis.

Ind AS 24.18(a)

The aggregate value of the Group's transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence is as follows:

In thousands of INR

		Transaction value		Balance outstanding		
Nature of transaction	***Note***	**Year ended 31 March 2017**	**Year ended 31 March 2016**	**31 March 2017**	**31 March 2016**	**1 April 2015**
Legal fees	*(i)*	12	13	-	-	-
Repairs and maintenance services received	*(ii)*	176	-	45	-	-
Inventory purchased	*(iii)*	66	-	-	-	-

i. The Group used the legal services of one of its directors in relation to advice over the sale of certain non-current assets of the Company. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms[1].

ii. The Group entered into a two-year contract with Om Track Limited, a company controlled by a director, to receive repairs and maintenance services in respect of the Group's production equipment. The total contract value is INR 370 thousand. The contract terms are based on market rates for these types of services, and amounts are payable on a quarterly basis for the duration of the contract.

iii. The Group purchased various paper supplies from Alumfab Limited, a company in which a director has significant influence. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

From time to time, key management personnel of the Group, including directors, or entities over which they have control or significant influence, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into with other Group employees or customers.

[1] The level of detail in disclosures provided here about individual transactions is not required by Ind AS 24, *Related Party Disclosures* and **have been provided only for illustrative purposes**.

Notes to the consolidated financial statements (continued)

Ind AS 24.18

35. Related parties (continued)

C. Related party transactions other than those with key management personnel[1]

Ind AS 24.18(a),(b),19

In thousands of INR	Transaction value		Balance outstanding		
	Year ended 31 March 2017	**Year ended 31 March 2016**	**31 March 2017**	**31 March 2016**	**1 April 2015**
Sale of goods and services					
Parent	350	320	220*	250*	218*
Associates					
Cellulose S.A	916	320	813*	314*	256*
Paper Web SARL	229	80	203*	78*	64*
Dividends paid (including related dividend distribution tax)					
Parent	479	53	-	-	-
Maintenance services received from Cellulose S.A (associate)	623	678	96	339	258
Loan from Cellulose S.A (associate) (see Note 26)	-	-	-	1,000	1,000
Interest expense - Cellulose S.A (associate)	16	25	-	12	62

* See Note 22A.

Ind AS 24.18(b)(i)-(ii), (c)-(d), 23

All transactions with these related parties are priced on an arm's length basis and resulting outstanding balances are to be settled in cash within six months of the reporting date. None of the balances is secured. During year ended 31 March 2017, there were no transactions and outstanding balances with Brown Products Corporation, the previous parent of the Group. During the year ended 31 March 2017 the Group obtained and repaid a loan of INR 200 thousand from Cellulose S.A (associate).

[1] In our view, an entity is required to disclose the portions of transactions with joint ventures or associates that are not eliminated in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

35. Related parties (continued)

C. Related party transactions other than those with key management personnel (continued)

The Group is a venturer in a joint venture which makes the results of its research and development activities available to the Group as well as to one of the other joint venturers, for which no amount is paid by any of the venturers. From time to time, to support the activities of the joint venture, the venturers increase their investment in the joint venture.

Ind AS 24.13-14, Ind AS 112.10(a), 12(a)-(b)

36. List of subsidiaries

See accounting policy in Note 3(a)(ii).

Set out below is the list of subsidiaries

	Note	Country of incorporation	Ownership interest 31 March 2017	31 March 2016	1 April 2015
Baguette		S.A. France	100	100	100
Mermaid A/S		Denmark	100	100	100
Lei Sure Limited		Romania	100	100	100
Papier GmbH		Germany	100	100	100
Oy Kossu AB		Switzerland	90	90	90
Windmill N.V.	7	Netherlands	75	60	60
Papyrus Pty Limited	7	Australia	100	25	25
Maple-leaf Inc		Canada	48	48	48
Sloan Bio-Research Co		UK	-	-	-
MayCo		US	-	-	-

Ind AS 112.12(b)

The principal place of business of all the entities listed above is the same as the respective country of incorporation.

A. Maple-leaf Inc

Ind AS 112.10 (b)

Although the Group owns less than one-half of the voting power of Maple-leaf Inc, it is able to control the company by virtue of an agreement with the other investors of Maple-leaf Inc. which inter-alia provides the Group with power to appoint majority of the board of directors of Maple-leaf Inc. Consequently, the Group consolidates its investment in the company.

B. Sloan Bio-Research Co and MayCo

Ind AS 112.7(a), 9(b), 10(b)(ii)

The Group does not hold any ownership interests in two structured entities Sloan Bio-Research Co and MayCo. However, it receives substantially all of the returns related to their operations and net assets (these entities perform research activities exclusively for the Group) based on the terms of agreements under which these entities were established and has the current ability to direct those activities that most significantly affect these returns. The aforesaid agreements also provide that the Group has the power to appoint majority of the board of governors of these entities. Consequently, the Group consolidates these entities. Because owners' interests in these entities are in the nature of liabilities of the Group, there is no NCI in respect of these entities.

Notes to the consolidated financial statements (continued)

37. Service concession arrangement[1]

See accounting policy in Note 3(g)(ii).

Ind AS 11.App.B.6

On 5 April 2016, the Group entered into a service concession agreement with a local township (the grantor) to construct a toll road near one of the Group's forestry operations. The construction of the toll road commenced on 28 April 2016 and was completed and available for use on 15 March 2017. Under the terms of the agreement, the Group will operate and make the toll road available to the public for a period of five years, starting from 16 March 2017. The Group will be responsible for any maintenance services required during the concession period. The Group does not expect major repairs to be necessary during the concession period.

Ind AS 11. App. B.6(c)(iv)

The grantor will provide the Group a guaranteed annual payment for each year that the toll road is in operation. Additionally, the Group has received the right to charge users a fee for using the toll road, which the Group will collect and retain; however, this fee is capped to a maximum amount as stated in the service concession agreement. At the end of the concession period the toll road will become the property of the grantor and the Group will have no further involvement in its operation or maintenance.

Ind AS11. App.B.6(c)(v)

The service concession agreement does not contain a renewal option. The standard rights of the grantor to terminate the agreement include poor performance by the Group and the event of a material breach of the terms of the agreement by the Group. The standard rights of the Group to terminate the agreement include failure of the grantor to make payment under the agreement and a material breach by the grantor of the terms of the agreement.

Ind AS 11.App.B.6(e), 6A

During the year, the Group has recorded revenue of INR 350 thousand, consisting of INR 320 thousand on construction and INR 30 thousand on operation of the toll road, which is the amount of tolls collected. The Group has recorded profit of INR 20 thousand, consisting of a profit of INR 25 thousand on construction and a loss of INR 5 thousand on operation of the toll road.

The revenue recognised in relation to construction represents the fair value of the construction services provided in constructing the toll road.

The Group has recognised a service concession receivable of INR 260 thousand representing the present value of the guaranteed annual payments to be received from the grantor, discounted at a rate of five percent, of which INR 11 thousand represents accrued interest. The Group has recognised an intangible asset of INR 95 thousand, of which INR 5 thousand has been amortised in 2016-17. The intangible asset represents the right to charge users a fee for use of the toll road.

Ind AS 23.26 (a), (b), 11 App.A.22

Capitalised borrowing costs included in this intangible asset amount to INR 6 thousand, which was determined based on the average interest costs on borrowings of 5.7 percent.

Ind AS 11 App. B.7

[1] Disclosures about the nature and extent of service concession arrangements are provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature.

Notes to the consolidated financial statements (continued)

38. Subsequent events

Restructuring

Ind AS 10.21-22

Towards the end of April 2017, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it is intended to reduce the Group's workforce by 400 positions worldwide by the end of 2017-18. The Group expects the restructuring associated with the reduction in positions to cost INR 600 thousand to INR 850 thousand in 2017-18.

Ind AS 10.21-22

Others

Subsequent to 31 March 2017 one of the Group's major trade debtors went into liquidation following a natural disaster in April 2017 that destroyed its operating plant. Of the INR 100 thousand owed by the debtor, the Group expects to recover less than INR 10 thousand. The carrying amount of allowance for doubtful debts in these consolidated financial statements has not been adjusted to reflect the impact of liquidation of the above referred trade debtor.

On 10 April 2017, one of the premises of Oy Kossu AG, having a carrying amount of INR 220 thousand, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations.

On 22 July 2016 the Group announced its intention to acquire all of the shares of ABC Company for INR 500 thousand. On 4 April 2017, the Group’s shareholders approved the transaction and the Group is now awaiting approval from regulatory authorities before proceeding with the acquisition. Management anticipates that this approval will be received by July 2017.

As explained in Note 26, a breach of a financial covenant associated with a bank loan occurred in the quarter ended December 2016. The Group obtained a waiver for the breach of covenant in January 2017 for a period of 18 months. Subsequent to 31 March 2017, the bank has revised the loan covenant and the waiver has been lifted.

Notes to the consolidated financial statements (continued)

Ind AS 1.23

39. Explanation of transition to Ind AS[1,2]

As stated in Note 2A, these are the Group's first consolidated financial statements prepared in accordance with Ind AS. For the year ended 31 March 2016, the Group had prepared its consolidated financial statements in accordance with Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act and other relevant provisions of the Act ('previous GAAP').

The accounting policies set out in Note 3 have been applied in preparing these consolidated financial statements for the year ended 31 March 2017 including the comparative information for the year ended 31 March 2016 and the opening consolidated Ind AS balance sheet on the date of transition i.e. 1 April 2015.

In preparing its consolidated Ind AS balance sheet as at 1 April 2015 and in presenting the comparative information for the year ended 31 March 2016, the Group has adjusted amounts reported previously in consolidated financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Group in restating its consolidated financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows.

Ind AS 101.26 [1] If, in the course of its transition to Ind AS, an entity becomes aware of errors made under previous GAAP, then the correction of such errors should be identified and disclosed separately in the reconciliations. Some entities may have been required to prepare only separate (i.e. unconsolidated) financial statements under previous GAAP (for example there was no subsidiary as per previous GAAP), but under Ind AS are required to prepare consolidated financial statements. In our view, the non-preparation of consolidated financial statements is not a prior period error. We believe that amounts reported under previous GAAP are those of the separate financial statements of the parent, and Ind AS 101 treats the transition to Ind AS of an entity in its separate financial statements as a different transition from the same entity's transition in its consolidated financial statements. In our view, if there are no relevant previous GAAP consolidated financial statements from which the entity is transitioning, then no reconciliations in the consolidated financial statements on first-time adoption of Ind AS to the previous GAAP separate financial statements are required.

Ind AS 101.25 [2] An entity that presented a statement of cash flows under previous GAAP also explains any material adjustments as compared to its Ind AS statement of cash flow for the same period.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Optional exemptions availed and mandatory exceptions

In preparing these consolidated financial statements, the Group has applied the below mentioned optional exemptions and mandatory exceptions.

A. Optional exemptions availed

Ind AS 101.C1

1. Business combinations

As per Ind AS 101, at the date of transition, an entity may elect not to restate business combinations that occurred before the date of transition. If the entity restates any business combinations that occurred before the date of transition, then it restates all later business combinations, and also applies Ind AS 110, *Consolidated Financial Statements*, from that same date.

The Group has opted to restate business combinations on or after 1 April 2014. For business combinations prior to 1 April 2014 which have not been restated as per Ind AS 103, goodwill represents the amount recognised under the previous GAAP subject to specific adjustments as prescribed under Ind AS 101.

Ind AS 101.D5-D7AA

2. Property plant and equipment, intangible assets and investment properties

As per Ind AS 101 an entity may elect to:

(i) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date

(ii) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:
   - fair value;
   - or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

   The elections under (i) and (ii) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, *Intangible Assets,* (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

(iii) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

As permitted by Ind AS 101, the Group has elected to continue with the carrying values under previous GAAP for all the items of property, plant and equipment. The same election has been made in respect of intangible assets and investment property also. The carrying values of property, plant and equipment as aforesaid are after making adjustments relating to decommissioning liabilities.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Exemptions and exceptions availed (continued)

A. Exemptions availed (continued)

Ind AS 101.D13

3. Cumulative translation differences

As per Ind AS 101, an entity may deem that the cumulative translation differences for all foreign operations to be zero as at the date of transition by transferring any such cumulative differences to retained earnings.

The group has elected to avail of the above exemption.

Ind AS 101.D9

4. Determining whether an arrangement contains a lease

Ind AS 101 includes an optional exemption that permits an entity to apply the relevant requirements in Appendix C of Ind AS 17 for determining whether an arrangement existing at the date of transition contains a lease by considering the facts and circumstances existing at the date of transition (rather than at the inception of the arrangement).

The Group has elected to avail of the above exemption.

Ind AS 101.D31AB

5. Joint ventures - transition from proportionate consolidation to the equity method

As per Ind AS 101, when changing from proportionate consolidation method to equity method, an entity may measure its investment in a joint venture at date of transition as the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising from acquisition.

The resultant amount is regarded as the deemed cost of the investment in the joint venture at initial recognition.

The Group has opted to avail this exemption.

Ind AS 101.D19B

6. Designation of previously recognised financial instruments

Ind AS 101 permits an entity to designate particular equity investments (other than equity investments in subsidiaries, associates and joint arrangements) as at fair value through other comprehensive income (FVOCI) based on facts and circumstances at the date of transition to Ind AS (rather than at initial recognition). Other equity investments are classified at fair value through profit or loss (FVTPL).

The Group has opted to avail this exemption to designate certain equity investments as FVOCI on the date of transition.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Exemptions and exceptions availed (continued)

B. Mandatory exceptions

Ind AS 101.14

1. Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Group's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the consolidated financial statements that were not required under the previous GAAP are listed below:

- Fair valuation of financial instruments carried at FVTPL and/ or FVOCI.
- Fair valuation of biological assets measured at fair value less cost to sell.
- Impairment of financial assets based on the expected credit loss model.
- Determination of the discounted value for financial instruments carried at amortised cost.
- Discounted value of liability for decommissioning costs.

Ind AS 101.B2-3

2. Derecognition of financial assets and liabilities

As per Ind AS 101, an entity should apply the derecognition requirements in Ind AS 109, *Financial Instruments*, prospectively for transactions occurring on or after the date of transition to Ind AS. However, an entity may apply the derecognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Group has elected to apply the derecognition principles of Ind AS 109 retrospectively as reliable information was available at the time of initially accounting for these transactions.

Ind AS 101.B7

3. Non-controlling interests

Ind AS 110 requires that total comprehensive income should be attributed to the owners of the parent and the NCI even if this results in the NCI having a negative balance. Ind AS 101 requires this requirement to be applied prospectively from the date of transition to Ind AS. However, if an entity elects to apply Ind AS 103 retrospectively to past business combinations, it has to also apply Ind AS 110 from the same date.

The Group has elected to apply Ind AS 103 retrospectively to business combinations that occurred on or after 1 April 2014, however, such retrospective application of Ind AS 103 does not have any impact on the carrying value of NCI.

Ind AS 101.B8

4. Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Group has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Reconciliation of equity

Ind AS 101.23,24(a),25

In thousands of INR	*Note*	As at date of transition 1 April 2015			As at 31 March 2016		
		Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Assets							
Non-current assets							
Property, plant and equipment	*b,f,l*	34,709	228	34,937	31,034	15	31,049
Investment property	*f*	-	950	950	-	923	923
Goodwill	*a*	3,632	(225)	3,407	3,607	(200)	3,407
Other intangible assets		2,022	-	2,022	1,254	-	1,254
Biological assets other than bearer plants	*m*	7,749	321	8,070	8,345	371	8,716
Equity accounted investees	*l*	-	1,140	1,140	-	1,558	1,558
Financial assets							
Investments	*i,k*	2,922	180	3,102	3,021	373	3,394
Derivatives		110	-	110	131	-	131
Deferred tax assets	*o*	1763	139	1,902	1,082	294	1,376
Other tax assets		90	-	90	228	-	228
Employee benefits		837	-	837	731	-	731
Total non-current assets		**53,834**	**2,733**	**56,567**	**49,433**	**3,334**	**52,767**
Current assets							
Inventories	*l*	13,256	(540)	12,716	12,659	(540)	12,119
Biological assets other than bearer plants		402	-	402	140	-	140
Financial assets						-	
Investments	*i,k*	346	50	396	519	49	568
Trade receivables	*i,l*	17,245	(960)	16,285	19,835	(1,868)	17,967
Cash and cash equivalents	*l*	2,629	(100)	2,529	2,230	(100)	2,130
Loans	*i*	30	(4)	26	44	(12)	32
Derivatives		425	-	425	464	-	464
Prepayments		780	-	780	1,312	-	1,312
Total current assets		**35,113**	**(1,554)**	**33,559**	**37,203**	**(2,471)**	**34,732**
Total assets		**88,947**	**1,179**	**90,126**	**86,636**	**863**	**87,499**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)
Reconciliation of equity (continued)

In thousands of INR	*Note*	As at date of transition 1 April 2015: Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	As at 31 March 2016: Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Equity and liabilities							
Equity							
Equity share capital		9,300	-	9,300	9,300	-	9,300
Other equity							
Compulsorily convertible non-cumulative preference shares classified as equity		5,250	-	5,250	5,250	-	5,250
Securities premium		3,500	-	3,500	3,500	-	3,500
Retained earnings	*p*	8,942	1,137	10,079	11,763	1,620	13,383
Others (including items of Other Comprehensive Income)	*e,p,k*	996	(200)	796	1,501	8	1,509
Equity attributable to owners of the Company		**27,988**	**937**	**28,925**	**31,314**	**1,628**	**32,942**
Non-controlling interests[1]		601	-	601	842	-	842
Total equity		**28,589**	**937**	**29,526**	**32,156**	**1,628**	**33,784**
Non-current liabilities							
Financial liabilities							
Borrowings	*b,j*	22,619	859	23,478	18,710	496	19,206
Derivatives		-	-	-	5	-	5
Provisions	*d*	1,034	30	1,064	73	380	453
Deferred tax liabilities (net)	*o*	1,109	327	1,436	943	452	1,395
Deferred income		-	-	-	1,462	-	1,462
Total non-current liabilities		**24,762**	**1,216**	**25,978**	**21,193**	**1,328**	**22,521**
Current liabilities							
Financial liabilities							
Bank overdrafts		303	-	303	282	-	282
Other bank borrowings		1,000	-	1,000	117	-	117
Trade payables	*l*	31,120	(500)	30,620	25,063	(700)	24,363
Derivatives		7	-	7	7	-	7
Other financial liabilities	*l*	1,017	-	1,017	4,469	(200)	4,269
Deferred income		203	-	203	168	-	168
Provisions	*a,g*	1,946	(474)	1,472	3,181	(1,193)	1,988
Total current liabilities		**35,596**	**(974)**	**34,622**	**33,287**	**(2,093)**	**31,194**
Total liabilities		**60,358**	**242**	**60,600**	**54,480**	**(765)**	**53,715**
Total equity and liabilities		**88,947**	**1,179**	**90,126**	**86,636**	**863**	**87,499**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

[1] In the context of fact-pattern assumed in these illustrative financial statements, the adjustments on transition to Ind AS do not impact the amount of equity attributable to non-controlling interests.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Ind AS 101.23,24(b),25

Reconciliation of total comprehensive income for the year ended 31 March 2016

In thousands of INR	*Note*	Year ended 31 March 2016 Previous GAAP *	Adjustment on transition to Ind AS	Ind AS
Continuing operations				
Revenue from operations	*h,l*	94,325	2,311	96,636
Other income	*m,k*	631	74	705
Total income		**94,956**	**2,385**	**97,341**
Expenses				
Cost of materials consumed	*b,l*	43,912	(704)	43,208
Changes in inventory of finished goods and work-in-progress		1,290	-	1,290
Excise duty	*h*	-	3,129	3,129
Employee benefits expense	*c,d,l*	19,222	384	19,606
Finance costs	*b,j,n*	1,463	129	1,592
Depreciation and amortisation expense	*a,b*	5,729	215	5,944
Other expenses	*i,l*	16,962	18	16,980
Total expenses		**88,578**	**3,171**	**91,749**
Profit from continuing operations before share of profit of equity accounted investees and income tax		**6,378**	**(786)**	**5,592**
Share of profit of equity accounted investees (net of income tax)	*l*	169	418	587
Profit from continuing operations before income tax		**6,547**	**(368)**	**6,179**
Current tax		(1,191)	-	(1,191)
Deferred tax	*o*	(741)	132	(609)
Income tax expense		**(1,932)**	**132**	**(1,800)**
Profit from continuing operations		**4,615**	**(236)**	**4,379**
Discontinued operation				
Profit (loss) from discontinued operation		(466)	-	(466)
Tax expense of discontinued operation		44	-	44
Profit (loss) from discontinued operation (after tax)		**(422)**	**-**	**(422)**
Profit for the year		**4,193**	**(236)**	**3,957**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Reconciliation of comprehensive income for the year ended 31 March 2016 (continued)

In thousands of INR	*Note*	**For the year ended 31 March 2016** Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability(asset)	*c*	-	134	134
Equity investments through other comprehensive income - net change in fair value		-	94	94
Income tax relating to items that will not be reclassified to profit or loss	*c*	-	(75)	(75)
Net other comprehensive income not to be classified to profit or loss		**-**	**153**	**153**
Items that will be reclassified subsequently to profit or loss				
Exchange differences in translating financial statements of foreign operations		330	-	330
Net loss on net hedge of net investment in foreign operation		(8)	-	(8)
Effective portion of gains (losses) on hedging instruments in cash flow hedges		78	-	78
Effective portion of gains (losses) on hedging instruments in cash flow hedges reclassified to profit or loss		(11)	-	(11)
Debt instruments through other comprehensive income - net change in fair value	*k*	-	126	126
Debt Instruments through other comprehensive income – change in fair value reclassified to profit or loss	*k*	-	(32)	(32)
Cost of hedging - change in fair value	*n*	-	(10)	(10)
Cost of hedging - reclassified to profit or loss	*n*	-	(2)	(2)
Income-tax relating to items that will be reclassified to profit or loss		(22)	(27)	(49)
Net other comprehensive income to be classified to profit or loss		**367**	**55**	**422**
Other comprehensive income for the period, net of income tax		**367**	**208**	**575**
Total comprehensive income for the period		**4,560**	**(28)**	**4,532**

*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Ind AS 101.25

Notes to the reconciliations

Ind AS 101.C1,C5, C4.g.(ii)

(a) Business combinations

The Group elected to apply Ind AS 103 retrospectively to business combinations that occurred on or after 1 April 2014. The adjustments arising from the only business combination that occurred after the aforesaid date (namely merger of an entity with Papier GmbH, a foreign subsidiary of the Group) required

- acquisition-related costs of INR 300 thousand incurred in those business combinations to be expensed;
- a contingent liability relating to legal claims to be recognised at fair value of INR 50 thousand; and
- previous amortisation of goodwill to be reversed (INR 25 thousand relating to year 2014-15 and INR 25 thousand relating to year 2015-16).

In addition, and as a condition under Ind AS 101 for availing this exemption, goodwill relating to business combinations that occurred prior to 1 April 2014 was tested for impairment even though no impairment indicators were identified. It was determined that no impairment existed at the date of transition.

The impact arising from the change is summarised as follows:

In thousands of INR

	Year ended 31 March 2016
Consolidated statement of profit and loss	
Depreciation and amortization expense:	
Reversal of goodwill amortisation	(25)
Adjustment before income tax	(25)

	1 April 2015	31 March 2016
Consolidated balance sheet		
Goodwill	(225)	(200)
Provisions - contingent consideration	(50)	(50)
Related tax effect	91	91
Adjustment to retained earnings	(184)	(159)

Ind A101.D9,D9A

(b) Lease arrangement

Under previous GAAP, arrangements that did not take the legal form of lease were accounted for based on the legal form of such arrangements e.g. job work arrangement. Under Ind AS, any arrangement (even if not legally structured as lease) which conveys a right to use an asset in return for a payment or series of payments are identified as leases provided certain conditions are met. In case such arrangements are determined to be in the nature of leases, such arrangements are required to be classified into finance or operating leases as per the requirements of Ind AS 17, *Leases*.

The Group has entered into certain job work arrangements which have been identified to be in the nature of lease and have been classified as finance lease arrangements.

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	
Depreciation and amortisation expense	240
Finance costs	111
Cost of material consumed	(504)
Adjustment before income tax	**(153)**

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Property, plant and equipment	1,278	1,038
Borrowings	(1,059)	(666)
Related tax effect	(72)	(122)
Adjustment to retained earnings	**147**	**250**

(c) Remeasurement of defined benefit liability(asset)

Under Ind AS, remeasurement of defined benefit liability (asset) are recognised in other comprehensive income. Under previous GAAP the Group recognised such remeasurements in profit or loss. However, this has no impact on the total comprehensive income and total equity as on 1 April 2015 or as on 31 March 2016.

Ind AS 101.D2, D3

(d) Share-based payments measurement

The Group granted cash-settled share-based payments to certain employees. The Group accounted for these share-based payment arrangements by reference to their intrinsic value under previous GAAP. Under Ind AS, the related liability has been adjusted to reflect the fair value of the outstanding cash-settled shared-based payments.

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	
Employee benefits expense	350
Adjustment before income tax	**350**

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Provisions – provision for employee benefits	(30)	(380)
Related tax effect	10	126
Adjustment to retained earnings	(20)	**(254)**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

Ind AS 101.D13

(e) Cumulative translation reserves

In accordance with Ind AS 101, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

The impact arising from the change is summarised as follows:

In thousands of INR

	1 April 2015	31 March 2016
Consolidated balance sheet		
Exchange differences on translating the financial statements of foreign operations	(300)	(300)
Related tax effect	-	-
Adjustment to retained earnings	**(300)**	**(300)**

(f) Investment property

Based on Ind AS 40, the Group has reclassified land with undetermined future use to investment property. Under the previous GAAP, this was disclosed as a part of property, plant and equipment.

The impact arising from the change is summarised as follows:

In thousands of INR	Year ended 31 March 2016
Consolidated statement of profit and loss	-

	1 April 2015	31 March 2016
Consolidated balance sheet		
Property, plant and equipment	(950)	(923)
Investment property	950	923
Adjustment to retained earnings	-	-

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

(g) Proposed dividend

Under previous GAAP, dividends proposed by the board of directors after the reporting date but before the approval of financial statements were considered to be adjusting event and accordingly recognised (along with related dividend distribution tax) as liabilities at the reporting date. Under Ind AS, dividends so proposed by the board are considered to be non-adjusting event. Accordingly, provision for proposed dividend and dividend distribution tax recognised under previous GAAP has been reversed.

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	-

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Provisions - proposed dividend including dividend distribution tax	524	1,243
Adjustment to retained earnings	**524**	**1,243**

(h) Excise duty

Under previous GAAP, revenue from sale of goods was presented net of the excise duty on sales. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. Excise duty is presented in the Statement of Profit and Loss as an expense. This has resulted in an increase in the revenue from operations and expenses for the year ended 31 March 2016. The total comprehensive income for the year ended and equity as at 31 March 2016 has remained unchanged.

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	
Revenue from operations	(3,129)
Excise duty	3,129
Adjustment before income tax	-

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Adjustment to retained earnings	-	-

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

(i) Loss allowance

On transition to Ind AS, the Group has recognised impairment loss on trade receivables, loans and investments in debt securities measured at amortised cost as well as FVOCI based on the expected credit loss model as required by Ind AS 109. Consequently, trade receivables, loans and investments in debt securities measured at amortised cost as well as FVOCI have been reduced with a corresponding decrease in retained earnings on the date of transition and there has been an incremental provision for the year ended 31 March 2016.

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	
Provision	
Loss allowance on trade receivables	90
Loss allowance on loans	8
Loss allowance on debt securities at amortised cost	20
Adjustment before income tax	**118**

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Trade receivables	(60)	(150)
Loans	(4)	(12)
Financial assets – current investments	(50)	(70)
Related tax impact	38	77
Adjustment to retained earnings	**(76)**	**(155)**

(j) Borrowings at amortised cost

Based on Ind AS 109, financial liabilities in the form of borrowings have been accounted at amortised cost using the effective interest rate method.

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	
Finance costs	30
Adjustment before income tax	**30**

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Borrowings at amortised cost	200	170
Related tax effect	(66)	(56)
Adjustment to retained earnings	**134**	**114**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

(k) Fair valuation of investments

In accordance with Ind AS, financial assets representing investment in equity shares of entities other than subsidiaries, associates and joint ventures as well as debt securities have been fair valued. The Group has designated certain investments classified as fair value through profit or loss with certain others designated as at fair value through other comprehensive income as permitted by Ind AS 109. Under the previous GAAP, the application of the relevant accounting standard resulted in all these investments being carried at cost.

The impact arising from the change is summarised as follows:

In thousands of INR	**Year ended 31 March 2016**
Consolidated statement of profit and loss	
Profit or loss:	
Other income – Financial asset at fair value through profit or loss - net change in fair value	(24)
OCI:	
Financial asset at fair value through OCI – net change in fair value	(188)
Adjustment before income tax	**(212)**

	1 April 2015	**31 March 2016**
Consolidated balance sheet		
Investments - financial assets at FVOCI	150	338
Investments - financial assets at FVTPL	130	154
Related tax effect	(83)	(151)
Adjustment to retained earnings	**197**	**341**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

(l) Joint venture

Under the previous GAAP, Paletel was classified as a 'jointly controlled entity' and accordingly accounted for using proportionate consolidation method. On transition to Ind AS, Paletel has been classified as a joint venture has been consolidated using equity method as per Ind AS 28, *Investments in Associates and Joint Ventures*. Based on the optional exemption exercised by the Group (see Note 39(A)(5)), the investment in Paletel has been measured at the carrying amounts of Paletel's net assets at the date of transition in consolidated financial statements as per proportionate consolidation method. No impairment has been identified on the investment at the date of transition. Details of assets, liabilities along with the consequential changes in the statement of profit and loss as well as cash flow statement are summarised below.

The proportionately consolidated amounts of assets and liabilities of Paletel under the previous GAAP were as below:

In thousands of INR

	1 April 2015	31 March 2016
Property, plant and equipment	(100)	(100)
Inventories	(540)	(540)
Trade payables	500	700
Trade receivables	(900)	(1,718)
Other financial liabilities	-	200
Cash and cash equivalents	(100)	(100)
Total net assets	**(1,140)**	**(1,558)**

The proportionately consolidated amounts of income and expenses under the previous GAAP were as below:

In thousands of INR	Year ended 31 March 2016
Revenue from operations	818
Cost of materials consumed	(200)
Employee benefit expenses	(100)
Other expenses	(100)
Net profit after tax	**418**

Analysis of changes in cash and cash equivalents for the purpose of consolidated statement of cash flows under Ind AS is as under:

In thousands of INR

	1 April 2015	31 March 2016
Cash and cash equivalent as per previous GAAP	2,629	1,950
Joint venture – Equity accounting	(100)	(100)
Cash and cash equivalents for the purpose of statement of cash flows under Ind AS	**2,529**	**1,850**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

(m) Biological assets other than bearer plants

Under Ind AS 41, *Agriculture,* biological assets are measured at fair value less costs to sell. Under previous GAAP biological assets were measured at cost. The impact arising from the change is summarised below:

In thousands of INR	Year ended 31 March 2016
Consolidated statement of profit and loss	
Other income	(50)
Adjustment before income tax	**(50)**

	1 April 2015	31 March 2016
Consolidated balance sheet		
Biological assets other than bearer plants	321	371
Related tax effect	(106)	(123)
Adjustment to retained earnings	**215**	**248**

(n) Cost of hedging

Under the previous GAAP, the Group had adopted the hedge accounting principles as provided in Accounting Standard 30, *Financial Instruments: Recognition and Measurement*, issued by the Institute of Chartered Accountants of India, and accordingly, the cost relating to hedging was expensed in the profit or loss to the extent considered ineffective. Under Ind AS 109, costs relating to hedging are accounted as a part of the other comprehensive income to the extent considered as effective and are aligned to the hedging strategy. However, this has no impact on the total comprehensive income and total equity as at 1 April 2015 and as at 31 March 2016.

Ind AS 101.11

(o) Income-tax

The above changes (decreased)/ increased the deferred tax liability as follows based on a tax rate of 33 percent:

In thousands of INR	*Note*	1 April 2015	31 March 2016
Business combination	*a*	91	91
Leases arrangement	*b*	(72)	(122)
Share-based payments measurement	*d*	10	126
Loss allowance	*i*	38	77
Borrowings at amortised cost	*j*	(66)	(56)
Fair valuation of investments	*k*	(83)	(151)
Biological assets other than bearer plants	*m*	(106)	(123)
(Decrease) Increase in deferred tax liability		**(188)**	**(158)**

Notes to the consolidated financial statements (continued)

39. Explanation of transition to Ind AS (continued)

Notes to the reconciliations (continued)

(p) Retained earnings

The above changes (decreased) increased total equity as follows:

In thousands of INR

	Note	1 April 2015	31 March 2016
Business combination exemption	*a*	(275)	(250)
Leases reclassification	*b*	219	372
Share-based payments measurement	*d*	(30)	(380)
Proposed dividend	*g*	524	1,243
Expected credit loss impairment	*i*	(114)	(232)
Financial liabilities measured at amortised cost	*j*	200	170
Financial assets – fair valuation	*k*	280	492
Biological assets remeasurement	*m*	321	371
Tax effects on above adjustments	*o*	(188)	(158)
Increase in total equity		**937**	**1,628**

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