

November 11, 2016

BSE Limited Corporate Relationship Department, P. J. Towers, Dalal Street, Fort, Mumbai - 400 001.	National Stock Exchange of India Limited Corporate Relationship Department, Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
BSE Scrip Code: 532756	NSE Scrip Code: MAHINDCIE

Sub: Unaudited Consolidated Financial Results of the Company as of and for the nine month period ended on 30th September, 2016

Dear Sir/Madam,

With reference to our letter dated 5th November, 2016, we wish to inform you that the Board of Directors of the Mahindra CIE Automotive Limited ("Company") at its meeting held today, i.e. 11th November, 2016, *inter alia*, considered and approved the unaudited consolidated financial results of the Company as of and for the nine month period ended on 30th September, 2016 ("Unaudited Consolidated Financial Results"). [The meeting started at 4.00 p.m. and concluded at 5.00 p.m.]

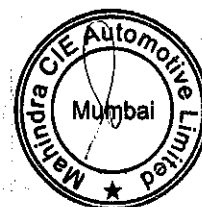
We are submitting herewith the Unaudited Consolidated Financial Results along with the limited review report of the auditors.

Please note that the Company had, on 24th October, 2016, submitted its unaudited standalone financial results for the quarter and nine months period ended 30th September, 2016 in compliance with Regulation 33(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR").

The Unaudited Consolidated Financial Results have been prepared and are adopted for the limited purpose of disclosure in any offer document that may be prepared by the Company in relation to its proposed fund raising activity, which includes, amongst other things, a qualified institutions placement. Accordingly, it is hereby clarified that the Unaudited Consolidated Financial Results should not be considered as 'financial results' in terms of Regulation 33 of the LODR and the Company shall continue to disclose its consolidated financial results on an annual basis only, in accordance with the provisions of the LODR.



Mahindra CIE Automotive Limited
CIN: L27100MH1999PLC121285



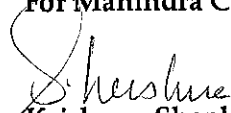
Mahindra CIE

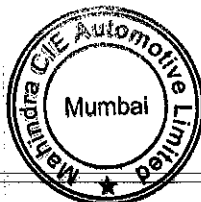
Mahindra CIE Automotive Ltd
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Mumbai 400 018, India
Tel: +91 22 24901441
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www.mahindracie.com
mcie.investors@mahindracie.com

Kindly acknowledge receipt of the same.

Thanking you,
Yours faithfully,

For Mahindra CIE Automotive Limited


Krishnan Shankar



Company Secretary & Head - Legal
Membership No. F 3482



Mahindra CIE Automotive Limited
CIN: L27100MH1999PLC121285

MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

Condensed consolidated interim financial statements
for the nine-month period ended 30 September 2016

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

To the Board of Directors of
Mahindra CIE Automotive Limited

Introduction

1. We have reviewed the accompanying Unaudited Interim Condensed Consolidated Financial Statements of Mahindra CIE Automotive Limited ("the Holding Company") and its subsidiaries (collectively "the Group"), which comprise the unaudited condensed consolidated interim balance sheet as at September 30, 2016, the unaudited condensed consolidated interim income statement for the nine-month period ended September 30, 2016, the unaudited condensed consolidated interim cash flow statement and the unaudited condensed consolidated interim statement of changes in equity for the period from January 1, 2016 to September 30, 2016 and selected explanatory notes thereon. These Unaudited Interim Condensed Consolidated Financial Statements are the responsibility of the Company's management, have been approved by the Board of Directors and have been prepared by the Company in accordance with the requirements of Indian Accounting Standard ("IND AS") 34 specified under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Unaudited Interim Condensed Consolidated Financial Statements based on our review.

Auditor's Responsibility

2. We conducted our review of the Unaudited Interim Condensed Consolidated Financial Statements in accordance with the Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible company personnel and analytical procedures applied to financial data and thus, provide less assurance than an audit. We have not performed an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

3. The Company has not presented the interim condensed consolidated statements of profit and loss, cash flow and statement of changes in equity for the period from April 1, 2015 to September 30, 2015 and reconciliations thereof between the previously applicable accounting standards and IND AS as required by IND AS 34 and IND AS 101.

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New Delhi - 110021,

India

Conclusion

4. Based on our review conducted as stated above, except for the non-disclosure of the comparative periods required to be disclosed as per IND AS 34 and IND AS 101 as stated in our basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying Unaudited Interim Condensed Consolidated Financial Statements have not been prepared, in all material respects, in accordance with IND AS 34, as notified under the Companies (Indian Accounting Standards Rules), 2015 (as amended) prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder and other accounting principles generally accepted in India.

Emphasis of Matter

5. We draw attention to

- a) Note 6 of the Unaudited Interim Condensed Consolidated Financial Statements and for the reasons detailed therein, the management of the Holding Company does not perceive any impairment in the value of goodwill of Rs 7,788 million arising on consolidation of the subsidiaries in view of the measures for improving financial performance being taken by the management of the Holding Company.
- b) The emphasis of matter paragraphs by the auditors of the following subsidiaries of the Holding Company in their review conclusion on the consolidated interim financial information of those subsidiaries summarised by us below
 - i. Stokes Group Limited has net liabilities as at September 30, 2016 and has incurred the losses in for the period ended September 30, 2016,
 - ii. ~~the consolidated net worth of the Mahindra Forgings Europe AG is negative at~~ September 30, 2016; and,
 - iii. that these subsidiaries have prepared their respective interim consolidated financial information on a going concern basis in view of the support from CIE Automotive S. A. to meet the liabilities of these subsidiaries as they become due.

Our conclusion is not modified in respect of these matters.

Other Matters

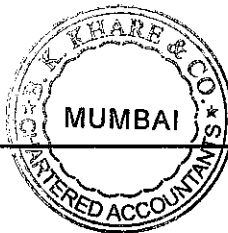
6. (a) We did not review the financial statements of 11 subsidiaries whose consolidated financial statements reflect total assets (before consolidation adjustments) of Rs. 28,371.18 million as at September 30, 2016 as well as total revenue (before consolidation adjustments) of Rs. 27,714.70 million for the period from January 1, 2016 to September 30, 2016. These consolidated financial statements and other financial information have been reviewed by other auditors whose reports have been furnished to us, and our conclusion on the Unaudited Interim Condensed Consolidated Financial Statements, insofar as it relates to the aforesaid subsidiaries is based solely on the report of such other auditors.



- (b) We did not review the financial statements of 6 subsidiaries whose financial statements reflect total assets (before consolidation adjustments) of Rs. 16,673.81 million as at September 30, 2016 as well as total revenue (before consolidation adjustments) of Rs. Nil for the period from January 1, 2016 to September 30, 2016. These financial statements and other financial information are unaudited and have been furnished to us by the Management, and our conclusion on the Unaudited Interim Condensed Consolidated Financial Statements, insofar as it relates to the amounts and disclosures included in respect of these subsidiaries is based solely on such unaudited financial statements/financial information. According to the information and explanations given to us by the Management, and based on our review nothing came to our attention that led us to believe that these financial statements/financial information after consolidation adjustments, are material to the Group.
- (c) Our conclusion on the Unaudited Interim Condensed Consolidated Financial Statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.
7. The Unaudited Interim Condensed Consolidated Financial Statements have been prepared, and this conclusion thereon has been issued, solely for the purpose of the proposed offering of equity shares of the Company through a Qualified Institutions Placement. Accordingly, this report should not be used, referred to or distributed for any other purpose without our prior written consent.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No 105102W


Himanshu Chapsey
Partner
Membership No. 105731



Place : Mumbai
Date : November 11, 2016

MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 SEPTEMBER 2016
(₹ in Million)

	Note	30.09.2016	31.12.2015	01.04.2015
ASSETS				
Non-Current Assets				
Property, plant and equipment	5	15,130.6	15,028.9	14,331.8
Capital work in progress	5	560.4	559.3	1,263.3
Goodwill	6	18,400.0	17,714.2	16,380.8
Other intangible assets		159.1	186.2	110.4
Intangible assets under development				
Investments		30.3	7.9	7.9
Loans		1,129.2	826.2	-
Deferred tax assets		2,570.8	2,020.1	1,834.9
Other non-current assets		1,322.2	2,064.1	2,096.6
Total non-current assets		39,302.6	38,406.9	36,025.7
Current Assets				
Inventories		7,797.1	7,188.7	6,849.6
Current financial assets				
Investments		2,427.3	662.8	578.0
Loans		206.2	124.3	578.2
Trade receivables		4,874.9	3,830.8	3,895.6
Cash and cash equivalents	7	709.6	501.5	892.7
Current tax assets		201.6	109.3	739.0
Other current assets		1,136.7	1,199.4	257.8
Total current assets		17,353.4	13,616.8	13,790.9
Total assets		56,656.0	52,023.7	49,816.6

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Himanshu Chapsey
Partner
Membership No. 105731

Hemant Luthra
Chairman

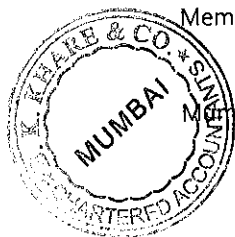
Daljit Mirchandani
Director

Krishnan Shankar
Company Secretary & Head Legal

K. Ramaswami
Managing Director

K. Jayaprakash
Chief Financial Officer

Mumbai, November 11, 2016.



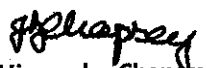
The accompanying notes 1 to 13 are an integral part of these condensed consolidated interim financial statements.

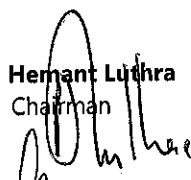
MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

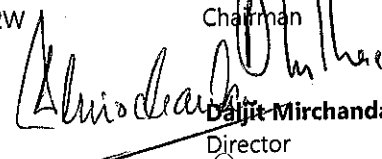
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2016
(₹ in Million)

	Note	30.09.2016	31.12.2015	01.04.2015
EQUITY & LIABILITIES				
EQUITY attributable to the parent company's shareholders				
Share capital		3,235.9	3,233.4	3,229.8
Other Equity		19,290.9	16,832.5	15,562.9
Non-controlling interests		-	-	164.0
Total equity		22,526.8	20,065.9	18,956.7
LIABILITIES				
Non-Current Liabilities				
Borrowings	8	8,516.3	7,518.2	13,726.3
Trade payables		17.8	-	-
Provisions	9	2,568.4	2,549.4	2,362.5
Deferred tax liabilities		592.1	591.5	335.3
Other non-current liabilities		729.7	823.8	828.3
Total non-current liabilities		12,424.3	11,482.9	17,252.4
Current Liabilities				
Current financial liabilities				
Borrowings	8	3,896.3	3,108.3	1262.6
Trade payables		15,041.8	14,298.9	10,493.9
Other financial liabilities		-	-	-
Provisions	9	223.0	470.2	244.3
Current tax liabilities		606.9	138.0	531.2
Other current liabilities		1,936.9	2,459.5	1,075.5
Total current liabilities		21,704.9	20,474.9	13,607.5
Total liabilities		34,129.2	31,957.8	30,859.9
Total equity and liabilities		56,656.0	52,023.7	49,816.6

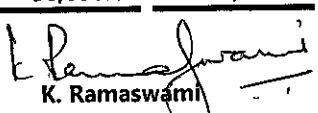
For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

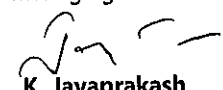

Himanshu Chapsey
Partner
Membership No. 105731


Hemant Luthra
Chairman


Rajit Mirchandani
Director


Krishnan Shankar
Company Secretary & Head Legal


K. Ramaswami
Managing Director


K. Jayaprakash
Chief Financial Officer

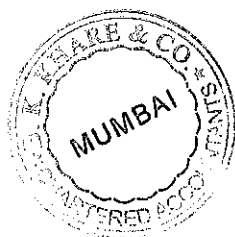
Mumbai, November 11, 2016.

The accompanying notes 1 to 13 are an integral part of these condensed consolidated interim financial statements.

MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2016
(₹ in Million)**

	Note	Nine-month period ended 30 September 2016
Continuing operations		
Revenue from operations		40,949.5
Sale of products and services		39,305.4
Other Operating revenues		1,644.1
Other income		192.4
Total income		41,141.9
Expenses		
Consumption of raw materials and components consumed		15,973.1
Purchase of stock-in-trade		32.8
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods		(25.6)
Employee benefit expenses		8,332.0
Depreciation and amortisation expense		1,683.8
Finance costs		430.1
Other expenses		12,480.6
Total expense		38,906.8
Profit/ (loss) before tax		2,235.1
Current tax	11	768.9
Deferred tax	11	(10.1)
Income tax expense		758.8
Profit/ (loss) for the year		1,476.3
OTHER COMPREHENSIVE INCOME		
Currency translation differences		516.0
Total entries that may be reclassified to profit or loss		516.0



The accompanying notes 1 to 13 are an integral part of these condensed consolidated interim financial statements.

MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX **1,992.3**

Total comprehensive income for the year, net of tax attributable to:

Profit for the year attributable to Equity holders of the parent **1,476.3**

Total comprehensive income for the year attributable to Equity holders of the parent **1,992.3**

Earnings per share for continuing operations:

- Basic, computed on the basis of profit from continuing operations attributable to equity holders of the parent	12	4.56
- Diluted, computed on the basis of profit from continuing operations attributable to equity holders of the parent	12	4.55

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W

Hemant Luthra
Chairman

K. Ramaswami
Managing Director

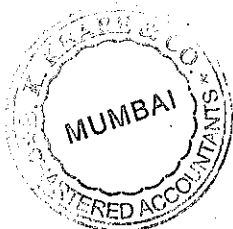
Himanshu Chapsey
Partner
Membership No. 105731

Salil Mirchandani
Director

K. Jayaprakash
Chief Financial Officer

Mumbai, November 11, 2016.

Krishnan Shankar
Company Secretary & Head Legal



The accompanying notes 1 to 13 are an integral part of these condensed consolidated interim financial statements.

MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR PERIOD ENDED 30 SEPTEMBER 2016
(₹ in Million)

	Attributable to the equity holders of the parent				Items of OCI				Non-controlling interests	Total equity
	Share capital	Share premium	Capital Reserve	Capital Redemption Reserve	General Reserve	Equity settled Employee benefit reserve	Retained earnings	Currency translation differences(*)	Others**	
Balance at 31 December 2015	3,233.4	4,986.8	7,577.6	164.6	6,028.0	13.1	(2,380.7)	343.1	100.0	20,065.9
Total comprehensive income	-	-	-	-	-	-	1,476.3	516.0	-	1992.3
Other movements	2.5	22.2	-	-	-	38.7	405.2	-	-	468.6
Balance at 30 September 2016	3,235.9	5,009.0	7,577.6	164.6	6,028.0	51.8	(499.2)	859.1	100.0	22,526.8



The accompanying notes 1 to 13 are an integral part of these condensed consolidated interim financial statements.

MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries

	Attributable to the equity holders of the parent					Items of OCI				Total equity
	Share capital	Share premium	Capital Reserve	Capital Redem Reserve	General Reserve	Equity settled Employee benefit reserve	Retained earnings	Currency translation differences(*)	Non-controlling interests	
Balance at 1 April 2015	3,229.8	4,949.8	7,577.6	164.6	6,028.0	27.1	(3,184.2)	-	164.0	18,956.7
Total comprehensive income	-	-	-	-	-	-	767.2	343.1	100.0	1,210.3
Consolidation Scope Change	-	-	-	-	-	-	-	-	(164.0)	(164.0)
Other movements	3.6	37.0	-	-	-	(14.0)	36.3	-	-	62.9
Balance at 31 December 2015	3,233.4	4,986.8	7,577.6	164.6	6,028.0	13.1	(2,380.7)	343.1	100.0	20,065.9

(*) Foreign Exchange Fluctuation Reserve as on 1st April, 2015 is adjusted against General Reserve as per IndAS 101

(**) Represents actuarial gain/(losses)

For B. K. Khare & Co.
Chartered Accountants
Firm Registration No. 105102W

Himanshu Chapey
Himanshu Chapey
Partner

Membership No. 105731



Hemant Luthra
Chairman

Dalit Mirchandani
Dalit Mirchandani
Director

Krishnan Shankar
Krishnan Shankar
Company Secretary & Head Legal

K. Ramaswami
Managing Director

K. Jayaprakash
Chief Financial Officer



The accompanying notes 1 to 13 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

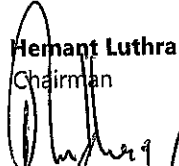
CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016
(₹ in Million)

	Notes	30 September 2016
Cash flows from/(used in) operating activities		2,230.8
Cash flows from/(used in) investing activities		(2,981.0)
Cash flows from/(used in) financing activities		958.3
Net (decrease)/increase in cash and cash equivalents		208.1
Cash and equivalents at beginning of the period	7	501.5
Cash and equivalents at end of the period	7	709.6

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W



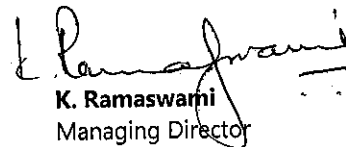
Himanshu Chapsey
Partner
Membership No. 105731



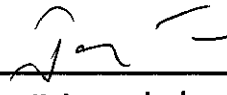
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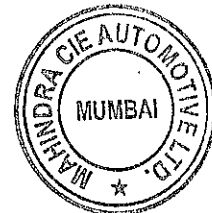
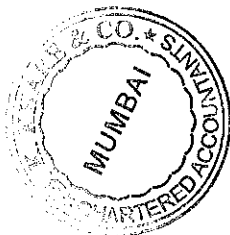
K. Jayaprakash
Chief Financial Officer



Krishnan Shankar

Company Secretary & Head Legal

Mumbai, November 11, 2016.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)**

1. General information

1.1 Mahindra CIE Automotive Group and activities

Mahindra CIE Automotive Limited (MCIE) is a company incorporated in India having its registered office in Mumbai. The Company and its subsidiaries (collectively referred to as "the Group") are engaged in the business of production and sale of automotive components to original equipment manufacturers and other customers (including leading suppliers of components) in India and overseas.

The group has manufacturing facilities in India, Germany, Spain, Lithuania, Italy and the United Kingdom. MCIE has an established presence in each of these locations and supply automotive components to its customers based there and export products to customers based in other countries as well. MCIE's manufacturing locations are generally located close to major automotive manufacturing hubs in order to facilitate supplies to the customers.

MCIE is a subsidiary of CIE Automotive Group based in Spain. The Mahindra Group based in India a significant shareholder in MCIE. MCIE is a result of a global alliance between the two groups pursuant to which Mahindra's automotive components businesses across various product segments in India and Europe were brought together with the forgings business of CIE in Spain.

The subsidiaries included in these interim condensed consolidated financial statements along with the proportion of ownership and beneficial interest of the Company in such subsidiaries is included in the Appendix attached hereto.

These interim condensed consolidated financial statements for the period from January 1, 2016 to September 30, 2016 were approved for issue by the Board of Directors in accordance with their resolution dated November 11, 2016.

Change in Financial Year

Until March 31, 2015, the financial year followed by MCIE was for a period of 12 months from April 1 to March 31 each year. Thereafter, MCIE changed its financial year to be for a period from January 1 to December 31 of the same calendar year. Accordingly, MCIE prepared its previous financial statements for a nine-month period from April 1, 2015 to December 31. Accordingly, the current condensed consolidated interim financial statements are for a period from January 1, 2016 to September 30, 2016.

Changes in the scope of consolidation

There has been no change in the entities being consolidated in the group during the reporting period and the list of subsidiaries along with the holding percentages are detailed in Appendix attached to these notes. Crest Geartech Limited on not being material is not consolidated in September 16.

1.2 Purpose

These accounts have been prepared and are proposed to be adopted for the limited purpose of disclosure in any offer document that may be prepared by the company in related to its proposed fund raising activity, which includes, amongst other things, a qualified institutions placement. Accordingly, these financial results should not be considered as 'financial results' in terms of regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) and the company shall continue to disclose its consolidated financial results on an annual basis only in accordance with the provisions of the LODR.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)**

2. Summary of significant accounting policies

2.1 Basis of presentation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. For all periods up to and including the year ended 31 December 2015, the Group prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP) and Companies (Accounting Standards) Rules, 2006. These interim financial statements for the year ended 30 September 2016 are the first the Group has prepared in accordance with Ind AS. Refer to note 4 for information on how the Group adopted Ind AS. The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount: derivative financial instruments; certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

The consolidated financial statements are presented in INR and all values are rounded to the nearest Million in single digit, except when otherwise indicated.

2.2 Consolidation principles

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

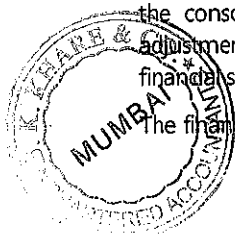
Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Condensed consolidated interim financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated interim financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the condensed consolidated interim financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that



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of the parent company, i.e., period ended on 30 September 16. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

- a) Combine like items of assets, liabilities, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the condensed consolidated interim financial statements at the acquisition date.
- b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Ind AS12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.3 Segment information

Operating segments (Note 3) are reported consistently with the internal reporting provided to the Chief Executive Officer. The highest decision-making executive is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Chief Executive Officer.

2.4 Accounting estimates and judgements

The preparation of interim financial statements requires management to make judgments, estimates and assumptions affecting the application of accounting policies and the amounts presented under assets and liabilities, income and expenses. Actual results may differ from these estimates.

a) Estimated impairment loss on goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units basically which were determined on the basis of calculations of value in use did not give rise to impairment risks on the Group's goodwill at 31 December 2015.

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to

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subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair values.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

c) Income tax

Income tax expense for the nine-month period ended 30 September 2016 has been estimated based on profit before taxes, as adjusted for any permanent and/or temporary differences envisaged in tax legislation governing the corporate income tax base calculation. The tax is recognized in the income statement, except insofar as it relates to items recognized directly in equity, in which case, it is also recognized in equity.

Tax credits and deductions and the tax effect of applying tax-loss carryforwards that have not been capitalised are treated as a reduction in the corporate income tax expense for the year in which they are applied or offset.

The calculation of income tax expense did not require the use of significant estimates except in tax credits recognized in the year, which was at all times consistent with the annual financial statements. Bearing in mind the economic and time parameters used for the estimates, had the premises used been modified by 10%, it would not have had a significant positive or negative effect on the results for the nine-month period ended 30 September 2016.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred taxes on temporary differences are recognized when arising on investments in subsidiaries, associates and joint ventures, except in those cases where the Group can control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of investment tax credits the counterpart of the amounts recognized is the deferred income account. The tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated, recognizing the right with a credit to deferred income.

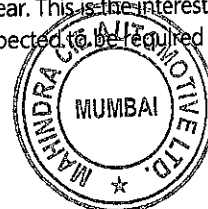
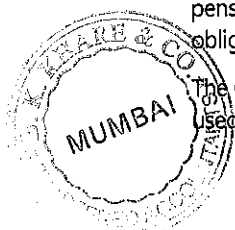
d) Fair value of derivatives and other financial instruments

The fair value of the financial instruments used by the Group, primarily interest rate swaps and foreign currency insurance is determined in the reports delivered by the Group's financial analysts and contrasted with those valuations received from the financial institutions with which the financial instruments were contracted.

e) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the



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pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions.

2.5 Summary of significant accounting policies

a) Business combinations and goodwill

In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward with minimal adjustment.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

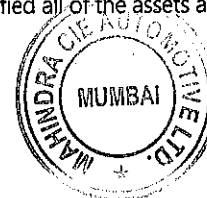
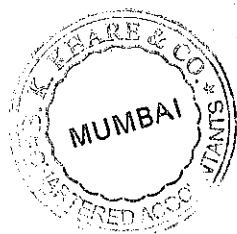
- Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.
- ~~Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.~~
- Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.
- Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all



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of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

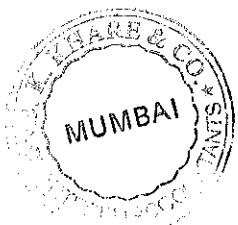
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit and loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in the



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associate or joint venture), the entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit and loss.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

c) Current versus non-current classification

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

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

All other assets are classified as non-current. A liability is current when:

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

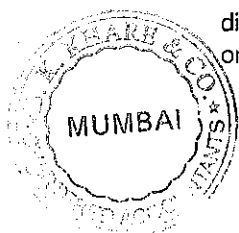
The Group classifies all other liabilities as non-current.

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

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

d) Foreign currencies

The Group's condensed consolidated interim financial statements are presented in INR, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the interim financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.



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Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Group uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognized in profit or loss in the separate interim financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the interim financial statements that include the foreign operation and the reporting entity (e.g., consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognized initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- Exchange differences arising on monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.
- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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

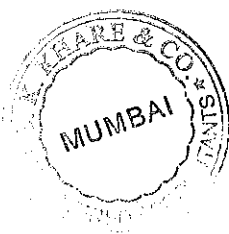
Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation on or after 1 April 2015 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Any goodwill or fair value adjustments arising in business combinations/ acquisitions, which occurred before the date of transition to Ind AS (1 April 2015), are treated as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, viz, 1 April 2015. Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date.



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e) Revenue recognition

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

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

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Interest income

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

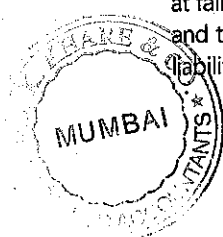
Dividends

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

f) Government grants

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

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



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g) Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

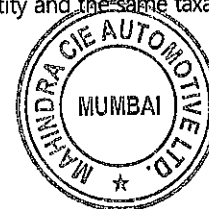
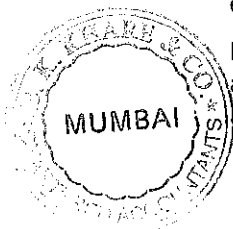
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect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

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

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

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

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



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Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognized within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognized in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognized in profit or loss.

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

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

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

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

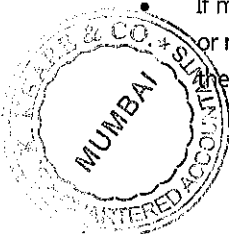
h) Property, plant and equipment

Under the previous GAAP (Indian GAAP), Freehold land and buildings (property), other than investment property, were carried in the balance sheet on the basis of fair valuations performed as at 31 March 2014. The Group has elected to regard those values of property as deemed cost at the date of the revaluation since they were broadly comparable to fair value. The Group has also determined that revaluation as at 31 March 2014 does not differ materially from fair valuation as at 1 April 2015 (date of transition to Ind AS). Accordingly, the Group has not revalued the property at 1 April 2015 again. Certain items of plant and equipment have been measured at fair value at the date of transition to Ind AS. The Group regards the fair value as deemed cost at the transition date, viz., 1 April 2015.

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

Contributions by customers of items of property, plant and equipment (such as moulds) received on or after 1 April 2015, which require an obligation to supply goods to the customer in the future, are recognized at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made. The Group may agree to deliver one or more services in exchange for the transferred item of property, plant and equipment, such as connecting the customer to a network, providing the customer with ongoing access to a supply of goods or services, or both. The Group identifies the separately identifiable services included in the agreement.

- If only one service is identified, the Group recognizes revenue when the service is performed.
- If an ongoing service is identified as part of the agreement, the period over which revenue is recognized for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue is recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service.
- If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable for the agreement will be allocated to each service and the recognition criteria of Ind AS 18 are then applied to each service.



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Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

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

- Building 15 to 50 years
- Plant and equipment 2 to 24 years

The Group, based on technical assessment made by technical expert and management estimate, depreciates certain items of building, plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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

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

i) Intangible assets

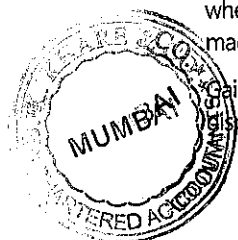
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

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

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

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



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the asset is derecognized.

Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

k) Leases

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

For arrangements entered into prior to 1 April 2015, the Group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

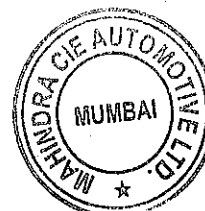
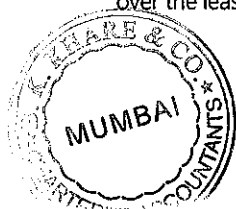
Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.



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Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Ind AS 17 requires that lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis, or
- b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

D) Inventories

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

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

- Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on first in, first out basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

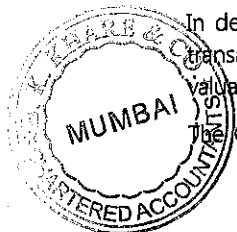
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

m) Impairment of non-financial assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared



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

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired

n) Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

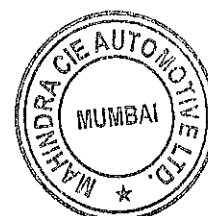
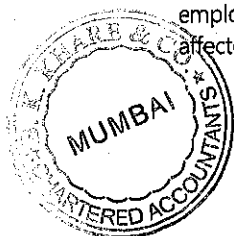
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.



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A debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instrument at FVTOCI

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

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

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

Debt instrument at FVTPL

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

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

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognized by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

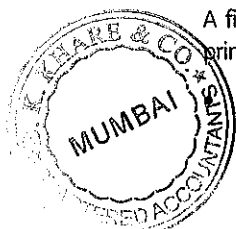
If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated balance sheet) when:

The rights to receive cash flows from the asset have expired, or



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o) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Group operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

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

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

p) Financial instruments

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

Financial assets

Initial recognition and measurement

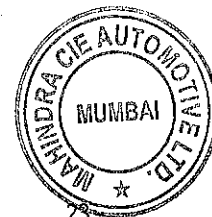
All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets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

Subsequent measurement

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

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

Debt instruments at amortised cost



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

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

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

Impairment of financial assets

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Financial assets that are debt instruments and are measured as at FVTOCI
- Lease receivables under Ind AS 17
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18 (referred to as 'contractual revenue receivables' in these illustrative financial statements)
- Loan commitments which are not measured as at FVTPL
- Financial guarantee contracts which are not measured as at FVTPL

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

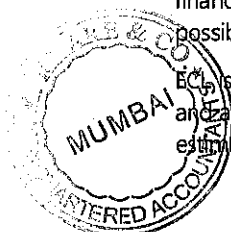
- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17.

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

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

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

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



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

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

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). The interim balance sheet presentation for various financial instruments is described below:

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

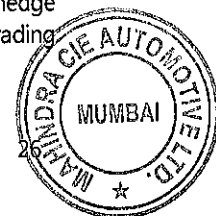
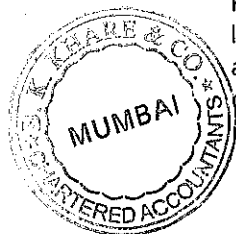
The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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



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unless they are designated as effective hedging instruments.

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

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

Loans and borrowings

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

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

This category generally applies to borrowings. For more information refer Note 8.

Financial guarantee contracts

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

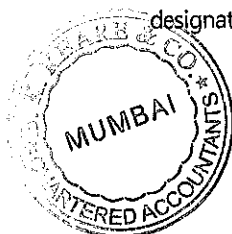
Derecognition

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

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the group does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss, unless designated as effective hedging instruments.



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Reclassification of financial assets

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

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

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

Offsetting of financial instruments

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

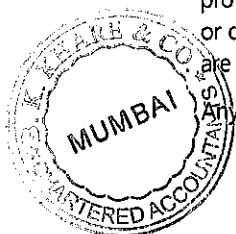
q) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under Ind AS 109 are recognized in the statement of profit and loss. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for



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the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the group's risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

i) Fair value hedges

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

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

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

ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit and loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized in finance costs and the ineffective portion relating to commodity contracts is recognized in other income or expenses.

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

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the



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criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

iii) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is reclassified to the statement of profit or loss (as a reclassification adjustment).

r) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

s) Cash dividend and non-cash distribution to equity holders of the parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the condensed consolidated interim income statement.

2.6 Seasonal nature of business and business volume

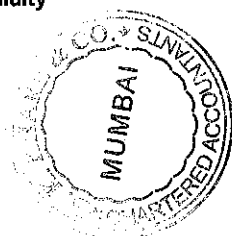
The Automotive segment does not show any seasonal nature so its sales are distributed uniformly throughout the year.

2.7 Liquidity management

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the MCIE Automotive Group strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility through the availability of committed credit lines. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of financial assets representing receivable debts, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 30 September 2016 and 31 December 2015 is calculated as follow:

	30.09.2016	31.12.2015
Cash and cash equivalents (Note 7)	709.6	501.5
Other current financial assets – Investments	2,427.3	662.8
Undrawn credit facilities and loans	691.8	628.0
Liquidity	3,828.7	1,792.3



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Borrowings and payables to credit institutions (Note 8)	12,412.6	10,626.5
Other current financial liabilities	-	-
Cash and cash equivalents (Note 7)	(709.6)	(501.5)
Loan	(1,129.2)	(826.2)
Other current financial assets – Investments*	(2,427.3)	(662.8)
Net debt	8,146.5	8,636.0

*Represents increase in investments in short term liquid funds

The Group's Finance Department believes that the on-going initiatives will prevent liquidity shortfalls. In this respect, management expects that the cash generated in the second half of 2016 and in 2017 will be sufficient to service payment obligations for the year without problem.

The Group's Finance Department monitors the Group's forecast liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining enough headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

Short-term bank borrowings include recurring credit facilities amounting to INR810 million deriving from the recurring discounting of commercial paper from customers (INR 338 million at 31 December 2015, Note 8).

Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 30 September 2016 of INR 691.8million in unused loans and credit lines (31 December 2015: INR 338.0 million).

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

As a result of the above, it may be confirmed that there are no liquidity risks at the Group.

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

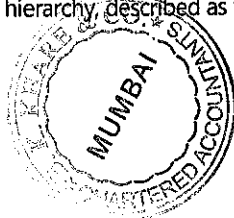
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

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

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

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

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



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- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

At 30 September 2016 and 31 December 2015 the Group has no significant instruments classified in Level 1, 2 and 3.

3. Financial segment reporting

The Chief Executive Officer (CEO) of Mahindra CIE Automotive Ltd., is the Group's decision-making executive. The CEO reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to segments. Management has determined the operating segments based on the structure of the reports reviewed by the CEO.

The CEO analyses the business of the Mahindra CIE Automotive Group from both a geographical perspective and from the viewpoint of the different lines of business (segments) in which it operates.

All companies within the Mahindra CIE Group belong to the same business segment (Automotive) and two geographical segments, India and Europe (referred to as Overseas in the previous financial statements which is essentially the same).

a) Information by segment

Results by segment are as follows:

	01.01.2016 to 30.09.2016			
	Automotive			
	India	Europe	Inter Co	Total
Revenue	14,633.5	26,587.1	(271.1)	40,949.5
Other operating expenses and income (excluding depreciation and amortisation)	13,277.7	24,023.9	(271.1)	37,030.5
Amortisation/depreciation and impairment	596.5	1,087.4	-	1,683.8
Total net profit	759.3	1,475.8	-	2,235.1
EBITDA	1,410.6	2,938.5	-	4,349.1

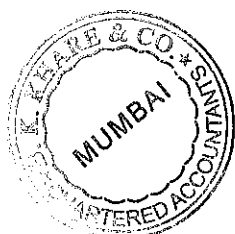
Transfers or transactions between segments (which are not material) are carried out under market terms and conditions as usual commercial transactions with third parties.

Other segment items included in the balance sheet are as follows:

	30.09.2016		
	Automotive		
	India	Europe	Total
Property, plant and equipment	6,192.5	9,498.5	15,691.0
Intangible assets	96.4	62.7	159.1

The reconciliation of operating results and results attributable to the parent company is as follows:

	01.01.2016 to 30.09.2016
Operating results	2,665.2



MAHINDRA CIE AUTOMOTIVE Ltd. and subsidiaries**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
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Financial income (expense)	(430.1)
Corporate income tax	(758.8)
Profit attributed to the parent company	1,476.3

There are no significant transactions between segments.

Segment assets and liabilities and investments made during the period:

	30.09.2016			
	Automotive			
	India	Europe	Inter Co	Total
Total assets	17,873.0	41,502.5	(2,719.5)	56,656.0
Total liabilities	6,471.8	30,608.9	(2,951.5)	34,129.2
Fixed asset additions	473.9	1,040.7	-	1,514.6
Disposal of fixed assets net of depreciation and amortisation	(28.9)	(22.9)	-	(51.8)
Net investments for year (1)	445.0	1,017.8	-	1,462.8

(1) Excludes movements in goodwill

Segment assets mainly include property, plant and equipment, intangible assets (including goodwill), deferred tax assets, inventories, accounts receivable and cash. Investments in investees included in the consolidation scope are reported separately.

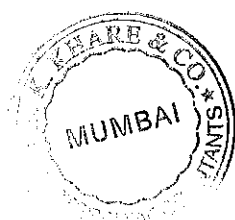
Segment liabilities include operating liabilities and long-term financing, excluding intragroup liabilities eliminated on consolidation.

Investments in non-current assets include additions to property, plant and equipment (Note 5) and intangible assets.

4. First time adoption Ind-AS**Mahindra CIE Automotive Limited and subsidiaries****First-time adoption of Ind-AS**

These condensed consolidated interim financial statements, for the period from 1st January 2016 to 30 September 2016, are the first financial statements prepared by the Group in accordance with Ind-AS. For periods up to and including the period ended 31 December 2015, the Group prepared its financial statements in accordance with accounting standards specified under Companies (Accounting Standards) Rules, 2006 ('previous GAAP').

Accordingly, the Group has prepared financial statements which comply with Ind-AS applicable for periods ending on or after 30 September 2016, together with the comparative period data as at and for the year ended 31 December 2015, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening balance sheet was prepared as at 1 April 2015, the Group's date of transition to Ind-AS. This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements as at and for the year ended 31 December 2015.



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Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS.

The Group has applied the following exemptions:

Ind AS 101.C1

1. Ind AS 103 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for Ind AS, or of interests in associates and joint ventures that occurred before 1 April 2015. Use of this exemption means that the previous GAAP carrying amounts of assets and liabilities, which are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with Ind AS. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

Ind AS 101 also requires that the previous GAAP carrying amount of goodwill must be used in the opening Ind AS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with Ind AS 101, the Group has tested goodwill for impairment at the date of transition to Ind AS. No goodwill impairment was deemed necessary at 1 April 2015.

Ind AS 101.C2

2. The Group has not applied Ind AS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to Ind AS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

3. Property, Plant and Equipment, other than investment property, were carried in the statement of financial position prepared in accordance with previous GAAP on 31 March 2015. The Group has elected to regard carrying values as at 31 March 2015 as deemed cost at the date of transition.

Ind AS 101.D13

4. Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 April 2015.

Ind AS 101.16

The estimates at 1 April 2015 and at March 31, 2015 are consistent with those made for the same dates in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of previous GAAP did not require estimation:

The estimates used by the Group to present these amounts in accordance with Ind AS reflect conditions at 1 April 2015, the date of transition to Ind AS and as of December 31, 2015

Ind AS 101.31

Use of deemed cost for investments in subsidiaries, joint ventures and associates

- the entity's first Ind AS separate financial statements shall disclose:

- (a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;
- (b) the aggregate deemed cost of those investments for which deemed cost is fair value; and
- (c) the aggregate adjustment to the carrying amounts reported under previous GAAP.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
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Ind AS 101.B7

Non-controlling interests

A first-time adopter shall apply the following requirements of Ind AS 110 prospectively from the date of transition to Ind ASs:

- a) the requirement (in paragraph B94) that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
- b) the requirements (in paragraphs 23 and B96) for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
- c) the requirements in paragraphs (B97–B99) for accounting for a loss of control over a subsidiary.

If a first-time adopter elects to apply Ind AS 103 retrospectively to past business combinations, it shall also apply Ind AS 110 in accordance with paragraph C1 of this Ind AS.

As at the date of transition, MCIE had only one subsidiary which was not wholly owned (at MCIE level). MCIE will apply the requirements (a), (b) and (c) of Ind AS 110 prospectively.

MCIE has elected not to apply Ind AS 103 retrospectively.

Effect of Ind AS adoption for Balance Sheet

The effect of the company's transition to IND AS is summarized in this note as follows:

- (i) Transition elections;
- (ii) Reconciliation of equity and P&L as previously reported under Indian GAAP to IND AS;
- (iii) Adjustments to the statement of cash flows.

(i) Transition elections

Exemptions from business combinations

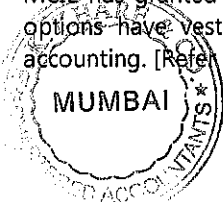
A first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind ASs). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 from that same date.

MCIE has decided not apply Ind AS 103 retrospectively to a past business combinations. Consequently implications, if any, of paragraph C4 (a) to (k) of Ind AS 101 should be assessed to determine compliance.

Share-based payment transactions

A first-time adopter is encouraged, but not required, to apply Ind AS 102 Share-based payment to equity instruments that vested before date of transition to Ind ASs. For all grants of equity instruments to which Ind AS 102 has not been applied (e.g. equity instruments vested but not settled before date of transition to Ind ASs, a first time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of Ind AS 102. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which Ind AS 102 has not been applied, the entity is not required to apply paragraphs 26–29 of Ind AS 102 if the modification occurred before the date of transition to Ind ASs.

MCIE has granted equity settled stock options. As at 1 April 2015 certain options are outstanding and certain options have vested but have not exercised. MCIE has followed intrinsic value method for accounting for accounting. [Refer Note 3 of the financial statements for the year ended 31 March 2015].



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

Investments in subsidiaries, joint ventures and associates (continued)

When an entity prepares separate financial statements, Ind AS 27 requires it to account for its investments in subsidiaries, joint ventures and associates either:

- a) at cost; or
- b) in accordance with Ind AS 109.

If a first-time adopter measures such an investment at cost in accordance with Ind AS 27, it shall measure that investment at one of the following amounts in its separate opening Ind AS Balance Sheet:

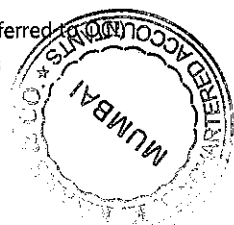
- a) cost determined in accordance with Ind AS 27; or
- b) deemed cost. The deemed cost of such an investment shall be its:
 - i. fair value at the entity's date of transition to Ind ASs in its separate financial statements; or
 - ii. previous GAAP carrying amount at that date.

MCIE has elected to account for investments in subsidiaries at cost in accordance with Ind AS 27 and will measure the investments at deemed cost i.e. previous GAAP carrying amounts as at the date of transition. Equity shares are non-monetary items and non-monetary items are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction (accordingly these are not required to be translated at year-end rates).

Ind AS 101.24(a)

(ii) Reconciliation of equity and P&L as previously reported under Indian GAAP to IND AS

Particulars	As at 01/04/2015 (Date of Transition)	As at 31/12/2015 (end of last period presented under previous GAAP)	
Equity as reported under previous GAAP	19,020.3	20,107.3	
<u>Ind AS: Adjustments increase (decrease):</u>			
Deferred income tax	(25.3)	(26.9)	
Others			
1. Provision for Doubtful debts on expected loss method	3.8	(5.1)	
2. Others	(30.0)	-	
3. Fair Valuation impact on Grants	(12.1)	(9.4)	
Equity as reported under IND AS	18,956.7	20,065.9	
Reconciliation of profit			
		Nine month period ended 31/12/2015	
		Profit before Tax	Profit for the year
PARTICULARS			
Previous GAAP		1,067.9	872.3
<u>Ind AS: Adjustments increase (decrease):</u>			
Provision for doubtful debts		(7.7)	(5.1)
Adjustment of Actuarial Gain (transferred to equity)		(179.8)	(100.0)
Total adjustment to profit or loss		(187.5)	(105.1)



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)**

Consequently, while MCIE need not apply Ind AS 102 to options vested before 1 April 2015, it shall disclose the information required by paragraphs 44 and 45 of the Standard.

Ind AS 102 will apply to options outstanding as at 1 April 2015. The Standard permits the use of intrinsic value method only in rare cases and therefore MCIE will be required to use the fair value method to account for the options outstanding as at 1 April 2015.

Deemed cost

Option 1: An entity may elect to measure an item of property, plant and equipment at the date of transition to Ind ASs at its fair value and use that fair value as its deemed cost at that date.

Option 2: D6 A first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to Ind ASs as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

- a) fair value; or
- b) cost or depreciated cost in accordance with Ind ASs, adjusted to reflect, for example, changes in a general or specific price index.

Option 3: Where there is no change in its functional currency on the date of transition to Ind ASs, a first-time adopter to Ind ASs may elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments in accordance with paragraph D21 and D21A, of this Ind AS. For this purpose, if the financial statements are consolidated financial statements, the previous GAAP amount of the subsidiary shall be that amount used in preparing and presenting consolidated financial statements.

MCIE has elected Option 3 and continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind ASs, measured as per the previous GAAP and use that as its deemed cost as at the date of transition.

Accordingly, no further adjustments to the deemed cost of the property, plant and equipment so determined in the opening balance sheet shall be made for transition adjustments that might arise from the application of other Ind ASs.

D21 and D21A related to Changes in Existing Decommissioning, Restoration and Similar Liabilities. MCIE will need to review lease agreement(s) for land and/or building to assess if there is any liability to restore land and/or building in its original condition at the end of the lease term.

MCIE has also elected Option 3 for determining the deemed cost of intangible assets as at the date of transition.

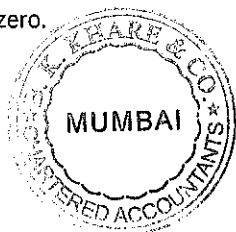
Cumulative translation differences

Ind AS 21 requires an entity:

- a) to recognize some translation differences in other comprehensive income and accumulate these in a separate component of equity; and
- b) on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal.

However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to Ind ASs.

MCIE has foreign subsidiaries which are expected to be consolidated. MCIE will use this exception and accordingly, cumulative translation differences that existed at 1 April 2015 for all foreign subsidiaries will be deemed to be zero.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

Profit or loss under Ind AS	880.4	767.2
Other comprehensive income	522.9	443.1
Total comprehensive income under Ind Ass	1,403.3	1,210.3

Note: No statement of comprehensive income was produced under previous GAAP. Therefore the reconciliation starts with profit under previous GAAP.

Ind AS 101.25

(iii) Adjustments to the statement of cash flows – No material adjustment with respect to previous GAAP cash flow.

5. Property, plant and equipment

During the first nine month of year 2016 the Group has made Property Plant and Equipment acquisitions for INR 1,514.6 million (INR 1,279.0 million for the last nine months of year 2015). The net book value of the disposals made on the same periods has been INR (51.8 million and INR 10.6 million respectively).

Both during the years 2016 and 2015 no impairment has been recognised to property, plant and equipment.

6. Goodwill and other intangible assets

a) Impairment testing of goodwill

Goodwill is assigned to the Group's cash-generating units (CGUs) on the basis of the criterion of grouping together under each CGU all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

The breakdown of goodwill at the resulting CGU level is set out below:

<u>Cash-generating units</u>	<u>Goodwill</u>	
	<u>30.09.2016</u>	<u>31.12.2015</u>
Automotive segment:		
India	402.9	402.9
Europe	17,997.1	17,311.3
	18,400.0	17,714.2

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash- flow projections based on five year financial budgets approved by management. Cash flows beyond the five-year period are extrapolated on the basis of conservative estimated growth rates that are in all instances lower than the average long-run growth rate for the business in which each of the CGUs operates.

b) Key assumptions used in the calculation of value in use at 31 December 2015:

The discount rates applied to cash flow projections are:

	<u>2015</u>
Mahindra-CIE	5.9%-13.14%

The discount rate range applied is attributable to the cash flows generated in countries with different country-risk characteristics.

This discount rate is after taxes and reflects the specific risks associated with the relevant segments.

The main changes in the discount rates used with respect to the previous year derive from changes in risk-free rates.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

Budgeted EBITDA (operating profit plus depreciation / amortisation and possible impairment) is determined by Group management in their strategic plans, taking into account operations with a similar structure to the current structure and based on prior year experience. These margins vary by type of business as follows:

	<u>% of revenue</u>
	<u>2015</u>
Mahindra-CIE	8.51% - 19.38%

Other forecast net movements in cash and flows related to tax are projected to these EBITDA's in to obtain after-tax free cash flow for each year.

The result of using before-tax cash flows and discount rates does not differ significantly from the outcome of using after-tax cash flows and discount rates.

Cash flows beyond the five-year period covered by the Group's forecasts are extrapolated applying prudent assumptions with respect to the forecast future growth rate (between 0% and 4%), based on GDP growth estimates and the inflation rate in each market, and evaluating the level of investment required to achieve such growth. In order to calculate the residual value, a normalised annual flow is discounted, taking into account the discount rate applied on the projections, less the growth rate taken into account.

c) Results of the analysis

The Group verified that in 2015 goodwill had not suffered any impairment. Additionally, if the revised estimated discount rate, which is applied to discounted cash flows, were 10% higher than management's estimates, the Group would still not need to reduce the carrying value of goodwill.

The recoverable amounts in cash generating units are determined based on calculations of the value in use, requiring the utilisation of certain estimates. To calculate the value in use at 31 December 2015, the future cash flow assumptions used were in accordance with the global situation of the markets where the Group operates and their forecast performance. The assumptions used in the calculations at 31 December 2015 for 2016 and subsequent years would be totally valid for calculating the value in use at 30 September 2016. Therefore, it is not believed that conditions have emerged in the CGUs that would pose a risk of impairment of goodwill.

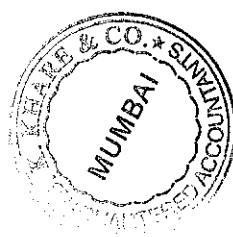
7. Cash and cash equivalent

Cash and other cash equivalents as at 30 September 2016 and 31 December 2015 break down as follows:

	<u>30.09.2016</u>	<u>31.12.2015</u>	<u>01.04.2015</u>
Cash and banks	672.7	373.9	890.9
Short -term deposits at credit institutions	36.9	127.6	1.8
	<u>709.6</u>	<u>501.5</u>	<u>892.7</u>

Short-term bank deposits relate to investments of cash surpluses maturing in less than three months or available immediately.

The interest rates on these deposits range between 0.2% and 6% (2015: 0.2% to 7%), depending on the currency.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

8. Borrowings

	<u>30.09.2016</u>	<u>31.12.2015</u>	<u>01.04.2015</u>
Non-Current			
Bank loans and credit facilities	8,516.3	7,518.2	13,726.3
	<u>8,516.3</u>	<u>7,518.2</u>	<u>13,726.3</u>
Current			
Bank loans and credit facilities	3,086.3	2,770.6	590.7
Bills discounted pending maturity and export advances	810.0	337.7	671.9
	<u>12,412.6</u>	<u>10,626.5</u>	<u>14,988.9</u>

The Group's policy is to diversify its financing sources. There is no concentration risk in respect of its bank borrowings as it works with multiple entities.

Non-current borrowings have the following maturities:

	<u>30.09.2016</u>	<u>31.12.2015</u>	<u>01.04.2015</u>
Between 1 and 2 years	280.9	1,531.2	5,929.0
Between 3 and 5 years	2,807.6	622.8	1,606.2
More than 5 years	5,427.8	5,364.2	6,191.1
	<u>8,516.3</u>	<u>7,518.2</u>	<u>13,726.3</u>

9. Provisions

There is neither any significant or material change in the items comprising the non current and current provisions nor have there been any material provisions or settlements in respect of these items during the reporting period.

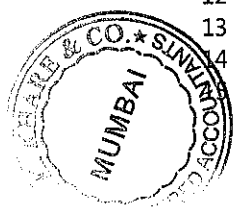
10. Related Party Transactions

(a) Names of Related Parties

Ultimate Holding Company – CIE Automotive SA
Holding Company – Participaciones Internacionales Autometal, DOS S.L
Associate Company - Mahindra Vehicle Manufactures Limited the investing company in respect of which the Company is an associate w.e.f. Dec 30, 2015

(b) Names of Related Parties where transactions have taken place during the period (Fellow Subsidiaries)

No.	Name of the Company
1	CIE Berriz, S.L.
2	Grupo Componentes Vilanova, S.L.
3	CIE Mecauto, S.A., Sociedad Unipersonal
4	CIE Compi�gne, S.A.S.
5	Praga Louny
6	Componentes de Automoci�n Recytec, S.L.U
7	Componentes de Direcci�n Recylan S.L.U.
8	Nova Recyd, S.A.U.
9	CIE Metal CZ, s.r.o.
10	Nanjing Automotive Forging Co., Ltd
11	CIE Automotive Parts , Co. Ltd.
12	Forjas de Celaya, S.A. de C.V.
13	Matic Dolares
14	Gameko Fabricaci�n de Componentes, S.A.
	Global Near S.L.



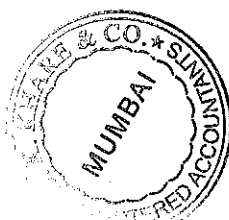
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

(c) Key Managerial Personnel (KMP)

No.	Name	Designation
1	Mr. Hemant Luthra	Chairman
2	Mr. Ander Arenaza Alvarez (w.e.f. Jul 26, 2016)	C.E.O.
3	Mr. K.Ramaswami	Managing Director
4	Mr. Pedro Echegaray (w.e.f. Oct 21, 2014 to Sep 12, 2016)	Executive Director
5	Mr. Sanjay Joglekar (w.e.f. Dec 12, 2014 to Sep 30, 2016)	C.F.O.
6	Mr. Romesh Kaul	Head Composites
7	Mr. Shankar Krishnan (Pursuant to Sec 2(76) of the Companies Act, 2013)	Company Secretary

(d) Related Party transactions for the period Jan 2016 to Sep 2016

Sr. No.	Nature of Transactions	Ultimate / Holding Company	Fellow Subsidiaries	Associate Company	Subsidiaries of Associates	KMP
1	Purchases					
	Goods	-	147.1	-	1,218.1	-
	Services	162.9	16.5	0.3	65.6	-
	Rent Paid	-	-	10.9	-	-
2	Sales					
	Goods	-	772.6	6,651.7	216.0	-
	Services	-	9.2	-	-	-
	Rent Income	-	-	-	0.4	-
3	Finance					
	Inter Corporate Deposits given	279.9	-	-	-	-
	Inter Corporate Deposits refund received	-	-	-	-	-
	Interest received	7.9	-	-	-	-
	Inter Corporate Deposits taken	927.7	-	-	-	-
	Inter Corporate Deposits refunded	-	309.7	-	-	-
	Interest paid	138.0	97.6	-	-	-
4	Guarantees & Other Collateral	-	-	-	-	-
5	Other transactions					
	Reimbursements Received	-	-	0.7	0.9	-
	Reimbursements Paid	-	-	49.6	-	-
6	Outstanding					
	Payable	1.9	71.3	29.8	281.7	-
	Receivable	-	202.1	1,062.1	20.6	-
	Inter Corporate Deposit	-	-	-	-	-
	Given	1,134.6	-	-	-	-
	Taken	3,429.8	2,812.1	-	-	-
	Refunded	-	-	-	-	-
	Guarantees & Collaterals	-	-	-	-	-
	Security Deposit Outstanding	-	-	5.7	-	-
7	Managerial Remuneration	-	-	-	-	107.2



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)

11. Corporate income tax expense

	30.09.2016
Current income tax	768.9
Deferred taxes	(10.1)
Tax expense	758.8

Theoretical tax rates vary depending on the location. Deferred tax assets and liabilities are only offset if and only if the Group has a legally enforceable right to compensate the recognised amounts and when they relate to income taxes levied by the same taxation authority on a single tax subject/entity, or in the event of different tax subjects/entities, when the Group intends to realise the asset and settle the liability on a net basis.

The parent company is taxed under the tax system of India.

Outside India, there are the following tax groups:

- In Germany: parented by Mahindra Forgings Europe AG and including the following companies Gesenkschmiede Schneider GmbH, Jeco Jellinghaus GmbH and Falkenroth Umformtechnik GmbH.

The other Mahindra CIE Automotive Group companies file individual tax returns.

In general terms, the years that have not lapsed under applicable tax legislation in each Group company are open to inspection. These range from 4 to 6 years from the date the obligation falls due and the tax filing period ends.

The tax law applicable to the corporate income tax returns for 2016 and 2015 for the Parent Company is Act 1961 applicable in India.

The Company's Directors have calculated the amounts associated with this tax for the first three quarters of 2016 and those years open to inspection in accordance with provincial legislation in force at each year end on the understanding that the final outcome of the legal proceedings in progress and the appeals filed will not have a significant impact on the consolidated interim financial statements as a whole.

12. Earnings per share

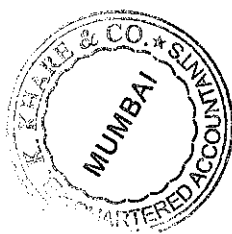
a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the parent company's shareholders by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the parent company.

	30.09.2016
Profit attributable to the parent company's shareholders (INR Mio.)	1,476.3
Weighted average number of ordinary shares outstanding (Mio)	323.513
Basic earnings:	4.56
- Basic earnings per share from continuing operations (INR per share)	4.56

b) Diluted

	30.09.2016
Profit attributable to the parent company's shareholders (INR Mio.)	1,476.3
Weighted average number of ordinary shares outstanding (Mio)	324.621
Basic earnings:	4.55
- Basic earnings per share from continuing operations (INR per share)	4.55



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(INR Million)**

13. Events after the balance sheet date

On October 18, 2016, the Group has finalized the acquisition of all the shares of BillForge pvt Ltd Group. The transaction, at the time of implementation, will involve payment of about Rs. 1.3 billion Indian rupees as acquisition consideration. The price has been disbursed on such closing date and has been financed through internal financial resources and through raising share capital from CIE Automotive and the reinvestment of former BillForge shareholders of partial transaction consideration into Mahindra CIE Automotive Ltd.

In this sense, CIE Automotive (through its subsidiary Participaciones Internacionales Autometal Dos, S.L.) has subscribed a capital increase in Mahindra CIE Automotive Ltd for an amount of 4,500 million Indian rupees and former shareholders of BillForge pvt Ltd. have subscribed a capital increase in Mahindra CIE Automotive Ltd for an amount of approximately 6,398 million Indian rupees. These share subscriptions have been progressively completed by October 27, 2016.

At the date of approval of these abbreviated consolidated interim financial statements the Group is analysing and valuing the business combination.

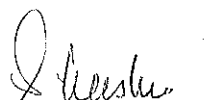
For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration No. 105102W



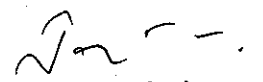
Himanshu Chapsey
Partner
Membership No. 105731


Hemant Luthra
Chairman


Daljit Mirchandani
Director


Krishnan Shankar
Company Secretary & Head Legal


K. Ramaswami
Managing Director


K. Jayaprakash
Chief Financial Officer



MAHINDRA CIE AUTOMOTIVE, Ltd. and subsidiaries

APPENDICES TO THE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR PERIOD ENDED 30 SEPTEMBER 2016

APPENDIX: LIST OF SUBSIDIARIES AND ASSOCIATES AT 30 SEPTEMBER 2016

Company	Parent Company	Activity	Registered office	% effective shareholding of Mahindra CIE	
				Direct	Indirect
Mahindra CIE Automotive, Ltd. (*)	Participaciones Internacionales Autometal Dos S.L.	Manufacture of automotive components	India		
Stokes Group Limited (*)	Mahindra CIE Automotive, Ltd.	Manufacture of automotive components	UK	100%	-
Stokes Forgings Limited	Stokes Group Limited	Manufacture of automotive components	UK		100%
Stokes Forgings Dudley Limited	Stokes Group Limited	Manufacture of automotive components	UK		100%
Mahindra Forging Global	Mahindra CIE Automotive, Ltd.	Holding company	Republic of Mauritius	100%	-
Mahindra Forgings International Limited (*)	Mahindra CIE Automotive, Ltd.	Holding company	Republic of Mauritius	100%	-
Mahindra Forgings Europe AG (*)	Mahindra Forgings International Limited	Holding company	Germany	-	100%
Gesekschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	100%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive, Ltd.	Manufacture of automotive components	Spain	100%	-
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Spain	-	100%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	100%
Galfor Edica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Spain	-	50%
Mahindra Gears Global Ltd (*)	Mahindra CIE Automotive, Ltd.	Holding company	Republic of Mauritius	100%	-
Metalcastello S.p.A. (*)	Mahindra Gears Global Ltd	Manufacture of automotive components	Italy	-	100%
Crest Geartech Ltd	Metalcastello S.p.A.	Manufacture of automotive components	India	-	100%
Mahindra Gears Transmission Private Ltd	Mahindra CIE Automotive, Ltd.	Manufacture of automotive components	India	100%	-

(*) Parent company of all investees appearing subsequently in the table.

