Varroc Engineering Limited
Regd. & Corp. Office

L-4, MIDC, Industrial Area
Waluj, Aurangabad 431 136
Maharashtra, India

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Fax +91 240 2564540

email: varroc.info@varroc.com
www.varrocgroup.com
CIN: U28920MH1988PLC047335

varroc
EXCELLENCE

VARROC/SE/INT/2018-19/20
September 07, 2018

To,

1) The Manager- Listing
The Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400051.

NSE Symbol: VARROC

2) The Manager – Listing
The Corporate Relation Department,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578
Security ID: VARRROC

Dear Sirs,

Sub.: Submission of Annual Report under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

This is to inform you that 30th AGM of the company was held on Wednesday, September 05, 2018 at 10:00 A.M. at the registered office of the Company at Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad-431136.

As required under Regulation 34 of the Listing Regulations we submit herewith Annual Report of the Company duly adopted and approved at the Annual General Meeting.

Kindly take the same on your record

Thanking you,

Yours faithfully,
For Varroc Engineering Limited

Rakesh Darji
Company Secretary and Compliance Officer

Encl. : As above

VARROC ENGINEERING LIMITED

ANNUAL REPORT

FINANCIAL YEAR 2017-18

Price Waterhouse & Co Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF Varroc Engineering Limited (formerly Varroc Engineering Private Limited)

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone financial statements of **Varroc Engineering Limited (formerly Varroc Engineering Private Limited)** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

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

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LLPIN ACC - 4362
FRN 304026E / E-300009
Pune

Price Waterhouse & Co Chartered Accountants LLP

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

Opinion

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

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143 (3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

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

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

    (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

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

       i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its standalone Ind AS financial statements – Refer Note 50;

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Price Waterhouse & Co Chartered Accountants LLP

ii. The Company has made provision as at March 31, 2018, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts, including derivative contracts - Refer Note 27.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Borkar

Amit Borkar
Partner
Membership Number: 109846

Place: Pune
Date: June 6, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Varroc Engineering Limited (formerly Varroc Engineering Private Limited) on the standalone financial statements for the year ended March 31, 2018

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Varroc Engineering Limited (formerly Varroc Engineering Private Limited) ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

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

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

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

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Registered office and Head office: Plot No. Y-14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar, Kolkata 700 091

Price Waterhouse & Co Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Varroc Engineering Limited (formerly Varroc Engineering Private Limited) on the standalone financial statements for the year ended March 31, 2018

Meaning of Internal Financial Controls with reference to financial statements

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

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

Opinion

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

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Borkar

Amit Borkar
Partner
Membership Number: 109846

Place: Pune
Date: June 6, 2018

Annexure B to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Varroc Engineering Limited (formerly Varroc Engineering Private Limited) on the standalone Ind AS financial statements as of and for the year ended March 31, 2018

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3 and 4 on fixed assets to the financial statements, are held in the name of the Company.

ii. The physical verification of inventory excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance and income tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including profession tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax with effect from July 1, 2017 and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax and duty of excise at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

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T: +91 (20) 41004444, F: +91 (20) 41006161

Price Waterhouse & Co Chartered Accountants LLP

Annexure B to Independent Auditors' Report
Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Varroc Engineering Limited (formerly Varroc Engineering Private Limited) on the standalone Ind AS financial statements for the year ended March 31, 2018

Name of the statute	Nature of dues	Amount In Million (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act.1961	Income Tax	79.26	2012-13	Income Tax Appellate Tribunal
The Central Excise Act, 1944 and The Finance Act, 1994	Service Tax and Excise Duty	118.66	2011-12 to 2015-16	Commissioner, Central Excise, Customs and Service Tax
The Central Excise Act, 1944 and The Finance Act, 1994	Service Tax and Excise Duty	5.48	2011-12 to 2016-17	Assistant Commissioner , Central Excise and Service Tax
The Finance Act, 1994	Service Tax	0.07	2015-16 to 2016-17	Superintendent (Adj), Central Excise and Service Tax
Maharashtra Value Added Tax Act, 2002	Value Added Tax and Central Sales Tax	4.13	2013-14 to 2014-15	Deputy Commissioner of Sales Tax
Delhi Value Added Tax Act, 2004	Central Sales Tax	0.11	2013-14	VAT Officer, Department of Trade and taxes VATO, New Delhi

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

ix. In our opinion, and according to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purposes for which they were obtained. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

Price Waterhouse & Co Chartered Accountants LLP
LLPIN AAC-4362
FRN 304026E / E-300009
Pune

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/E-300009
Chartered Accountants

Borkar

Amit Borkar
Partner
Membership Number: 109846

Place: Pune
Date: June 6, 2018

Varroc Engineering Limited
Standalone Balance Sheet

	Notes	As at March 31, 2018	As at March 31, 2017
		(Rs. in Million)	(Rs. in Million)
ASSETS			
Non current assets			
Property, plant and equipment	3	7,632.20	7,595.67
Capital work-in-progress	3	217.13	253.13
Investment properties	4	286.42	296.38
Intangible assets	5	91.05	46.84
Intangible assets under development	5	5.97	0.21
Financial assets			
Investments	6 (a)	4,647.21	4,647.21
Loans	6 (b)	17.45	10.13
Other financial assets	7	0.39	0.41
Income tax assets (Net)	8	24.04	23.78
Other non-current assets	9	328.51	87.88
Total non-current assets		13,250.37	12,961.64
Current assets			
Inventories	10	1,946.90	1,731.48
Financial assets			
Investments	11	0.10	-
Trade receivables	12	3,888.43	2,517.42
Cash and cash equivalents	13 (a)	84.03	29.44
Other bank balances	13 (b)	1.83	1.86
Loans	14	18.71	25.46
Other financial assets	15	175.32	45.75
Other current assets	16	234.58	275.67
Total current assets		6,349.90	4,627.08
Total Assets		19,600.27	17,588.72
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17	134.81	143.33
Other equity			
Reserves and surplus	18	9,982.93	9,338.04
Other reserves	19	(2.27)	(8.95)
Total equity		10,115.47	9,472.42
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings	20	2,204.61	3,014.69
Other financial liabilities	21	5.64	5.16
Provisions	22	53.05	54.70
Deferred tax liabilities (Net)	23	135.22	4.88
Other non-current liabilities	24	172.66	-
Total non-current liabilities		2,571.18	3,079.43
Current liabilities			
Financial liabilities			
Borrowings	25	1,724.32	1,248.57
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	26	8.75	13.59
Total outstanding dues other than micro enterprises and small enterprises	26	3,234.54	2,206.05
Acceptances		184.12	296.18
Other financial liabilities	27	1,331.00	893.93
Provisions	28	194.07	180.07
Other current liabilities	29	236.82	198.48
Total current liabilities		6,913.62	5,036.87
Total equity and liabilities		19,600.27	17,588.72

Summary of significant accounting policies 2

The notes are an integral part of these financial statements

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 304026E/E-300009

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M.DARJI
Company Secretary

Place : Mumbai
Date : May 31, 2018

Varroc Engineering Limited
Standalone Statement of Profit and Loss

	Notes	For the year ended March 31, 2018 (Rs. in Million)	For the year ended March 31, 2017 (Rs. in Million)
Revenue			
Revenue from operations	30	20,954.75	18,120.53
Other income	31	287.71	324.51
Total income		21,242.46	18,445.04
Expenses			
Cost of materials consumed	32	12,535.77	10,126.56
Purchases of stock-in-trade		509.59	657.59
Changes in inventories of work-in-progress, stock-in-trade and finished goods	33	(10.54)	(67.21)
Excise duty (Refer note 30)		485.83	1,360.43
Employee benefits expense	34	1,753.76	1,431.76
Depreciation and amortisation expense	35	1,016.11	962.82
Other expenses	36	3,498.84	3,004.45
Finance costs			
(i) Finance costs other than covered under (ii) below	37	401.50	426.90
(ii) Imputed interest and changes in cash flow estimates on liability portion of CCPS (Refer Note 17 (c))		-	41.60
Total expenses		20,190.86	17,944.90
Profit before tax		1,051.60	500.14
Income tax expense	39		
Current tax		232.97	107.68
Short/(excess) provision in respect of earlier years		-	3.31
Net current tax		232.97	110.99
Deferred Tax		120.33	(30.89)
Total tax expense		353.30	80.10
Profit for the year		698.30	420.04
Other comprehensive income			
Items that may be reclassified to profit or loss			
Deferred hedging gains/(losses) on cash flow hedges (net of tax)		6.68	0.33
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation (net of tax)		10.82	(8.04)
Other comprehensive income for the year (net of tax)		17.50	(7.71)
Total comprehensive income for the year		715.80	412.33
Earnings per equity share	49		
Basic		4.96	3.57
Diluted		4.96	3.57

Summary of significant accounting policies 2
The notes are an integral part of these financial statements

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 304026E/E-300009

Borkar

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M.DARJI
Company Secretary

Place : Mumbai
Date : May 31, 2018

Varroc Engineering Limited
Statement of Changes in Equity

A Equity and preference share capital

(Rs. In Million)

	Notes	March 31, 2018	March 31, 2017
Balance at the beginning of the year	17	143.33	123.13
Less:- Capital reduction (Refer Note 17 (f))		(8.52)	-
Add: Conversion of series "B" CCPS Preference shares into 852,359 equity shares. [Refer note 17 (d)]	17	8.52	-
Less: Conversion of 852,349 series "B" CCPS Preference shares into equity shares. [Refer note 17 (d)]	17	(8.52)	-
Add:- Issue of 0.0001% Series "B" CCPS	17	-	8.52
Add:- Issue of 0.0001% Series "C" CCPS	17	-	11.68
Balance at the end of the year		134.81	143.33

B Other Equity for the year ended March 31, 2018

(Rs. In Million)

	Notes	Reserves and Surplus					Other Reserves		Total
		Retained earnings	General reserve	Capital reserve	Securities premium reserve	Debenture redemption reserve	Cash flow hedge reserve	Equity component of CCPS	
Balance at April 1, 2017		1,182.23	1,474.38	-	6,481.43	200.00	(8.95)	-	9,329.09
Profit for the year		698.30	-	-	-	-	-	-	698.30
Remeasurement of defined benefit obligation (net of tax)		10.82	-	-	-	-	-	-	10.82
Gain/(loss) on changes in fair value of hedging instruments (net of tax)	19	-	-	-	-	-	6.68	-	6.68
Transactions with owners in their capacity of owners:									
Capital reduction (Refer Note 17 (f))		-	-	8.52	-	-	-	-	8.52
Dividend paid [(Rs.0.50 per Equity share) (Dividend Distribution Tax Rs.11.19 million)]	18	(72.75)	-	-	-	-	-	-	(72.75)
Balance at March 31, 2018		1,818.60	1,474.38	8.52	6,481.43	200.00	(2.27)	-	9,980.66

Other Equity for the year ended March 31, 2017

	Notes	Reserves and Surplus					Other Reserves		Total
		Retained earnings	General reserve	Capital reserve	Securities premium reserve	Debenture redemption reserve	Cash flow hedge reserve	Equity component of CCPS	
Balance at April 1, 2016		1,015.09	1,474.38	-	3,366.25	-	(9.28)	885.66	6,732.10
Profit for the year		420.04	-	-	-	-	-	-	420.04
Remeasurement of defined benefit obligation (net of tax)		(8.04)	-	-	-	-	-	-	(8.04)
Transfer to debenture redemption reserve	18	(200.00)	-	-	-	200.00	-	-	-
Gain/(loss) on changes in fair value of hedging instruments (net of tax)	19	-	-	-	-	-	0.33	-	0.33
Transactions with owners in their capacity of owners:									-
On conversion of Series "A" CCPS	17	-	-	-	3,135.43	-	-	(885.66)	2,249.77
Issue of CCPS Series "B" and "C"	17	-	-	-	(20.25)	-	-	-	(20.25)
Dividend paid [(Rs 0.35 per Equity share) (Dividend Distribution Tax Rs.4.61 million)]	18	(44.86)	-	-	-	-	-	-	(44.86)
Balance at March 31, 2017		1,182.23	1,474.38	-	6,481.43	200.00	(8.95)	-	9,329.09

The notes are an integral part of these financial statements

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 304026E/E-300009

Borkar

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M.DARJI
Company Secretary

Place : Mumbai
Date : May 31, 2018

Varroc Engineering Limited
Cash Flow Statement

Sr. No	Particulars	Year ended March 31,2018 (Rs. in Million)		Year ended March 31,2017 (Rs. in Million)	
A	**Cash flow from operating activities**				
	Net Profit before tax		1,051.60		500.14
	Adjustments for:				
	Depreciation and amortization expense	1,016.11		962.82	
	Loss on sale of Property, plant and equipment / Intangible assets	5.36		4.85	
	Provision for doubtful debts / advances	6.81		1.24	
	Imputed interest and changes in cash flow estimates on liability portion of CCPS.	-		41.60	
	Finance cost (other than above)	401.50		426.90	
	Rent income from Investment Property	(46.72)		(44.78)	
	Provision for guarantees for loan taken by subsidiary	21.47		(11.09)	
	Profit on sale of current investments	(0.58)		(9.42)	
	Dividend income	(6.62)		(17.63)	
	Interest income	(2.33)		(6.51)	
	Government grant	(105.24)	1,289.76	(74.13)	1,273.85
	Operating profits before working capital changes		2,341.36		1,773.99
	Adjustments for changes in:				
	Trade receivables	(1,370.92)		(209.42)	
	Trade payable	911.59		95.99	
	Inventories	(215.42)		(92.97)	
	Other financial assets	(131.02)		(30.80)	
	Other current and non current asset	136.97		15.57	
	Provision	7.51		3.23	
	Other financial liabilities	42.89		18.16	
	Other current and non current liabilities	75.59	(542.81)	30.56	(169.68)
	Cash generated from operations		1,798.55		1,604.31
	Taxes paid		(233.33)		(90.72)
	Net cash flow from operating activities		1,565.22		1,513.59
B	**Cash flow from investing activities**				
	Dividend received	6.62		17.63	
	Interest received	3.23		6.51	
	(Purchase of)/ proceeds from sale of current investments	0.48		128.82	
	Proceeds from sale of Property, plant and equipment	116.11		37.24	
	Rent received on Investment Property	46.72		44.78	
	Purchase of Property, plant and equipment	(1,139.76)		(1,122.73)	
	Fixed deposits (placed)/ redeemed (net)	0.03		78.59	
	Payment for non current investments	-		0.10	
	Net cash used in investing activities		(966.57)		(809.06)
C	**Cash flow from financing activities**				
	Increase/(Decrease) in long term borrowings	(541.27)		286.10	
	Increase/(Decrease) in short term borrowings	552.03		(574.33)	
	Dividend paid on equity shares and preference shares	(72.75)		(44.86)	
	Interest paid	(405.79)		(431.96)	
	Net cash flow from financing activities		(467.78)		(765.05)
	Decrease in cash and cash equivalents		130.87		(60.52)
	Opening Cash and cash equivalents		(99.48)		(38.96)
	Closing Cash and cash equivalents		31.39		(99.48)
	Cash and cash equivalents consists of				
	Cash in Hand		0.79		0.63
	Current Accounts / Deposit with maturity of less than 3 months		83.24		28.81
	Bank overdraft (Refer note 25)		(52.64)		(128.92)
			31.39		(99.48)

Notes:

1) The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 on "Statement of Cash flows".

2) Figures in brackets represent outflow of Cash and cash equivalents.

The notes are integral part of these financial statements
As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 304026E/E-300009

Borkar

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO
Place : Mumbai
Date : May 31, 2018

RAKESH M.DARJI
Company Secretary

1 **General information**

Varroc Engineering Limited (the "Company") is engaged in the business of manufacturing of Automobile components. The Company has 12 manufacturing plants, 3 research and development centres, 3 wind power and 1 solar power projects in India and caters to customers both in the domestic and international markets. The Company and its subsidiaries operate from manufacturing plants and technical development centers across 4 continents and 12 countries spread across the globe.

2 **Summary of significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

(i) Compliance with Ind AS

These financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgements. It also requires the Management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2A.

All amounts included in these Financial Statements are reported in Million of Indian rupees (Rs. In Million) except earning per share data and unless stated otherwise.
All amounts in the financial statements have been rounded off to the nearest million or decimal thereof.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:
• certain financial assets and liabilities (including derivative instruments) that are measured at fair value; and
• defined benefit plans, plan assets measured at fair value;

(iii) Current - Non-current classification:

All assets and liabilities have been classified as current or non current as per the company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current-non current classification of assets and liabilities.

(iv) Amended standards adopted by the Company

The amendments to Ind AS 7 require disclosure of changes in liabilities arising from financing activities , Refer note 25

A) **Property, plant and equipment**

Tangible assets

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of certain leased furniture, fittings and equipment, the shorter lease term as follows:

• Leasehold Land	Amortised over the period of lease
• Buildings	30- 50 years
• Plant and Machinery	
• General Plant and Machinery	8-20 years
• Moulds	4-7 years
• Computers	3-7 years
• Vehicles	4-7 years
• Furniture and Fixtures	5-10 years
• Other Assets	4-10 years

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.
The useful lives have been determined based on technical evaluation done by the management's expert which are different than those specified by Schedule II to the Companies Act; 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/(losses).

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 30-50 years. The useful life has been determined based on technical evaluation performed by the management's expert.

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Intangible assets

(i) Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.
Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

(ii) Technical know how

Expenditure on acquiring Technical Know-how (including Income Tax and R & D Cess) is being amortised over a period of six years from the date put to use

(iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (i) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation methods and periods

The company amortises with a finite useful life using the straight -line method over the following periods:
Software and ERP Systems are being amortized over a period of three years.

B) 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.

As a lessee

Leases where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rentals are recognized as expenses in the periods in which they are incurred.
Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Leases in which the Company 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 unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. 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 Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company'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.

C) Impairment of assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.
The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

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

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

D) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

E) 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:

a) 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 weighted average basis.

b) 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 weighted average basis.

c) 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.

d) 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.

e) Duties and other taxes (other than those subsequently recoverable by the entity from the taxing authouties) are included in the value of inventory.

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F) **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to purchase of property, plant and equipment are included in current and non-current liabilities as deferred income and are credited to profit or loss on straight-line basis over the expected lives of the related assets and presented within other income.

G) **Revenue Recognition**

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

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the company 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 company on its own account, revenue includes excise duty.

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

The specific recognition criteria described below must also be met before revenue is 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. The Company provides normal warranty provisions on some of its products sold, in line with the industry practice. A liability is recognized at the time the product is sold. The Company does not provide any extended warranties.

Sale of services

Income from services is recognised on the basis of time/work completed as per contract with the customers. The Company collects service tax and goods and service tax (GST) on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

Wind/solar power generation

Income from the wind / solar power generation is recognised when earned on the basis of contractual arrangements with the buyers.

Duty Drawback

Income from duty drawback and export incentives is recognised on an accrual basis.

H) **Other Income**

Interest: Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Rent income is recognised on accrual basis when earned in accordance with the agreement

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

I) **Foreign currency translation**

The company financial statements are presented in INR, which is also the functional currency.

Transactions and balances

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

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

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 are designated as part of the hedge of the company'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).

J) **Employee benefits**

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The company operates the following post-employment schemes:

(a) defined benefit plans such as gratuity and

(b) defined contribution plans such as provident fund

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Gratuity obligations

The liability or asset recognised in the balance sheet in respect of defined benefit and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Defined contribution plans

The company makes contributions to funds for certain employees to the regulatory authorities. The company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Bonus plans

The company recognises a liability and an expense for bonuses. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

K) Income tax

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

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:

-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 including MAT credit 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 utilized, except:

- 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 utilised.

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

L) Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is 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 or 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.

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 balance sheet.

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M) **Earnings Per Share**

(i) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

• the profit attributable to owners of the company

• by the weighted average number of equity shares outstanding during the reporting period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

(ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

• the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and

• the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all period presented for any share splits and bonus shares issues including for changes effected prior to the authorization for issue of the financial statements by the Board of Directors.

N) **Cash and Cash Equivalents**

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management. Bank overdraft are shown within borrowings in current liabilities in the Balance sheet.

O) **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

P) **Contributed equity**

Equity instrument including its component parts are classified in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Q) **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

R) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

S) **Financial Instruments**

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest bearing loans and borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of the 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 the impairment requirements of Ind-AS 109 and the amount recognized less cumulative amortization.

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

If the hybrid contract contains a host that is a financial asset within the scope of Ind-AS 109, the company 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. 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.

Embedded derivatives closely related to the host contracts are not separated.

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Embedded foreign currency derivatives

Embedded foreign currency derivatives are not separated from the host contract if they are closely related. Such embedded derivatives are closely related to the host contract, if the host contract is not leveraged, does not contain any option feature and requires payments in one of the following currencies:

-the functional currency of any substantial party to that contract,

-the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world,

-a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (i.e. relatively liquid and stable currency)

Foreign currency embedded derivatives which do not meet the above criteria are separated and the derivative is accounted for at fair value through profit and loss. The company currently does not have any such derivatives which are not closely related.

Fair value measurement

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

Disclosures for valuation methods, significant estimates and assumptions **(Note 43)**

Quantitative disclosures of fair value measurement hierarchy **(Note 43)**

Financial instruments (including those carried at amortized cost) **(Note 44, 45 and 46)**

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate 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.

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

1) Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment

2) 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

3) Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company'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:

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 or loss.

The Company uses derivative contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is 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 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.

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 and loss, transactions costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
-Debt instruments at amortized 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 amortized cost

A 'debt instrument' is measured at the amortized 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 company. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance costs/income in the Statement of Profit or Loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

Debt instruments 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 company recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the P&L. On de-recognition 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 under EIR method.

Debt instruments 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 FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instruments as at FVTPL.
Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in 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-AS 103 applies are classified as at FVTPL. For all other equity instruments, the company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The company makes such an election on an instrument-by-instrument basis. This classification is made on initial recognition and is irrevocable.

If the company decides to classify an equity instrument 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 the sale of the investment. However, the company may transfer the cumulative gain or loss within equity.

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

Derecognition

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

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

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognize the transferred asset to the extent of the company continuing involvement. In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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Impairment of financial assets

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

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

The company follows 'simplified approach' for recognition of impairment loss allowance on:
-Trade receivables
-All lease receivables resulting from transactions within the scope of Ind AS 17

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

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

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

-All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

-Cash flows from the sale of the collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Financial assets measured at amortized cost, contract assets and lease receivables:
ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the company does not reduce impairment allowance from the gross carrying amount.

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 company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.
The company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Reclassification of financial assets and liabilities

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities.

For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent.

The company senior management determines changes in the business model as result of external or internal changes which are significant to the company operations. Such changes are evident to external parties. A change in the business model occurs when the company either begins or ceases to perform an activity that is significant to the operations.

If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

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

Original Classification	Revised Classification	Accounting Treatment
Amortized cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in P&L.
FVTPL	Amortized cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortized cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in OCI. No change in EIR due to reclassification.
FVTOCI	Amortized cost	Fair value at reclassification date becomes its new amortized 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 amortized 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.

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Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the accompanying disclosures.

These judgments, estimates and assumptions are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgments or complexities and of items which are more likely to be materially adjusted due to estimates and assumptions to be different than those originally assessed. Detailed information about each of these judgments, estimates and assumptions is mentioned below. These Judgments, estimates and assumptions are continually evaluated.

Significant estimates and judgements

1 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2 Fair valuation of financial instruments

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

3 Defined benefit plans

The liability or asset recognised in the balance sheet in respect of gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The mortality rate is based on Indian Assured Lives Mortality (2006-08) Ultimate. Those mortality tables tend to change only at interval in response to demographic changes.

Future salary increases and gratuity increases are based on expected future inflation rates.

Further details about gratuity obligation are given in Note 42.

4 Deferred tax

At each reporting date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted.

5 Customer Claims

The company has made accruals in respect of unsettled prices for some of its raw materials purchase contracts and finished goods sales contracts. These accruals are made considering the past settlement formula / communications with the vendors and customers respectively. The management has assessed and believes that the timing of cash outflow pertaining to these accruals are uncertain and hence considered the same as payable / receivable on demand and classified under current liabilities / assets respectively.

Note 2B: Standards issued but not yet effective

1 Ind AS 115 - Revenue from Contracts with Customers

The Ministry of Corporate Affairs (MCA) has notified Ind AS 115, 'Revenue from Contracts with Customers', on 28 March 2018, which is effective for accounting periods beginning on or after 1 April 2018.

The new revenue standard is based on a transfer of control model, which fundamentally changes the basis of revenue recognition, presentation and disclosures. The core principle is described in a five-step model framework.

The Company is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

2 Ind AS 21-The Effects of Changes in Foreign Exchange Rates

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration: On March 28, 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from April 1, 2018. The company has evaluated the effect of this on the standalone financial statements and the impact is not material.

3 Ind AS 40- Investment property

Amendment to Ind AS 40 regarding transfers of investment property: On March 28, 2018 MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 which clarifies that to transfer to, or from, investment properties there must be change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in intention, in isolation, is not enough to support a transfer.The amendment has also re-characterised the list of evidence of change in use as a non-exhaustive list of examples and scope of theses examples have been expanded to include assets under construction and development and not only transfers of completed properties. The company has decided to apply the amendment prospectively to change in use that occur after the date of initial application (i.e. April 1, 2018). Management has assessed the effect of the amendment on classification of existing property at April 1, 2018 and concluded that no reclassifications required.

4 Amendments to Ind AS 12 Income taxes regarding recognition of deferred tax assets on unrealised losses

The amendments clarify the accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets set out below:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- The estimate of future taxable profit may include the recovery of some of an entity's assets for more than its carrying amount if it is probable that the entity will achieve this. For example, when a fixed-rate debt instrument is measured at fair value, however, the entity expects to hold and collect the contractual cash flows and it is probable that the asset will be recovered for more than its carrying amount.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. This is to avoid double counting the deductible temporary differences in such assessment.

The Company has evaluated the effect of this amendment on the standalone financial statements and the impact is not material.

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Notes to the standalone financial statements

Note 3 - Property Plant and Equipment

(Rs. In Million)

Asset Class	Gross carrying amount				Accumulated depreciation				Net carrying amount
	As at April 1, 2017	Additions	Disposals	As at March 31, 2018	As at April 1, 2017	Depreciation charge	Disposals	As at March 31, 2018	As at March 31, 2018
Freehold land	68.11	-	-	68.11	-	-	-	-	68.11
Leasehold land	360.90	28.27	-	389.17	9.38	4.79	-	14.17	375.00
Factory buildings	1,343.05	17.41	-	1,360.46	144.45	65.78	-	210.23	1,150.23
Office buildings	714.32	127.44	86.00	755.76	22.75	9.98	3.32	29.41	726.35
Plant and machinery	5,433.85	653.17	47.28	6,039.74	1,076.00	653.56	22.91	1,706.65	4,333.09
Factory equipments	474.75	82.10	12.93	543.92	125.76	69.25	4.36	190.65	353.27
Electrical Installations	194.96	10.87	-	205.83	57.65	23.72	-	81.37	124.46
Computers	75.92	13.03	0.11	88.84	39.39	17.46	0.11	56.74	32.10
Mould and dies	279.69	77.32	14.75	342.26	89.62	58.30	1.15	146.77	195.49
Electrical fittings	40.77	0.28	0.05	41.00	11.66	5.50	0.03	17.13	23.87
Vehicles	16.05	29.55	3.92	41.68	10.61	6.14	3.78	12.97	28.71
Furniture and fixtures	115.11	45.99	-	161.10	26.10	17.89	-	43.99	117.11
Office equipments	52.03	11.93	0.30	63.66	21.62	12.21	0.25	33.58	30.08
Tools and instruments	106.25	47.98	3.37	150.86	45.10	32.09	0.66	76.53	74.33
Total	9,275.76	1,145.34	168.71	10,252.39	1,680.09	976.67	36.57	2,620.19	7,632.20

Capital work-in-progress as at March 31, 2018

Opening capital work-in-progress	253.13
Addition during the year	1,109.34
Capitalised during the year	(1,145.34)
Closing capital work-in -progress	**217.13**

(Rs. In Million)

Asset Class	Gross carrying amount				Accumulated depreciation				Net carrying amount
	As at April 1, 2016	Additions	Disposals	As at March 31, 2017	As at April 1, 2016	Depreciation charge	Disposals	As at March 31, 2017	As at March 31, 2017
Freehold land	68.11	-	-	68.11	-	-	-	-	68.11
Leasehold land	360.90	-	-	360.90	4.71	4.67	-	9.38	351.52
Factory buildings	1,253.71	89.34	-	1,343.05	71.52	72.93	-	144.45	1,198.60
Office buildings	624.10	90.22	-	714.32	10.76	11.99	-	22.75	691.57
Plant and machinery	4,495.11	950.56	11.82	5,433.85	466.12	613.84	3.96	1,076.00	4,357.85
Factory equipments	393.38	84.88	3.51	474.75	60.03	66.97	1.24	125.76	348.99
Electrical installations	147.99	47.26	0.29	194.96	27.29	30.65	0.29	57.65	137.31
Computers	56.22	19.74	0.04	75.92	20.13	19.30	0.04	39.39	36.53
Mould and dies	249.34	61.60	31.25	279.69	45.21	46.36	1.95	89.62	190.07
Electrical fittings	38.64	2.13	-	40.77	6.31	5.35	-	11.66	29.11
Vehicles	20.09	1.89	5.93	16.05	8.28	5.68	3.35	10.61	5.44
Furniture and fixtures	106.87	8.25	0.01	115.11	12.85	13.25	-	26.10	89.01
Office equipments	38.52	13.53	0.02	52.03	10.79	10.85	0.02	21.62	30.41
Tools and instruments	77.99	28.53	0.27	106.25	18.28	27.01	0.19	45.10	61.15
Total	7,930.97	1,397.93	53.14	9,275.76	762.28	928.85	11.04	1,680.09	7,595.67

Capital work-in-progress as at March 31,2017

Opening capital work-in-progress	444.02
Addition during the year	1,207.04
Capitalised during the year	(1,397.93)
Closing capital work-in -progress	253.13

(i) Leased assets

Leasehold land under finance lease (Rs. in Million)

	As at March 31, 2018	As at March 31, 2017
Leasehold land		
Cost	389.17	360.90
Accumulated depreciation	14.17	9.38
Net Carrying amount	**375.00**	**351.52**

(ii) Property, plant and equipment pledged as security

Refer to note 52 for information on property, plant and equipment pledged as security by the company

(iii) Contractual obligations

Refer to note 48 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iv) Office Building includes premises on ownership basis in a Co-Operative Society Rs. 6.3 Million, including cost of shares therein of Rs.125/- per share.

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Note 4 - Investment Properties

(Rs. In Million)

Asset class	Gross carrying amount			Accumulated depreciation			Net carrying amount
	As at April 1, 2017	Additions	As at March 31, 2018	As at April 1, 2017	Depreciation charge	As at March 31, 2018	As at March 31, 2018
Leasehold land	33.30	-	33.30	0.80	0.40	1.20	32.10
Factory buildings	285.70	1.36	287.06	21.82	10.92	32.74	254.32
Total	**319.00**	**1.36**	**320.36**	**22.62**	**11.32**	**33.94**	**286.42**

Capital work-in-progress as at March 31, 2018

Opening capital work-in-progress	-
Addition during the year	1.36
Capitalised during the year	1.36
Closing capital work-in -progress	-

(Rs. in Million)

Asset Class	Gross carrying amount			Accumulated depreciation			Net carrying amount
	As at April 1, 2016	Additions	As at March 31, 2017	As at April 1, 2016	Depreciation charge	As at March 31, 2017	As at March 31, 2017
Leasehold land	33.30	-	33.30	0.40	0.40	0.80	32.50
Factory buildings	285.70	-	285.70	10.91	10.91	21.82	263.88
Total	**319.00**	**-**	**319.00**	**11.31**	**11.31**	**22.62**	**296.38**

(i) Amount recognised in Statement of Profit and Loss for investment properties

(Rs. in Million)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Rental income	46.72	44.78
Profit from investment properties before depreciation	46.72	44.78
Depreciation	11.32	11.31
Profit from investment properties	35.40	33.47

(ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term cancellable operating leases with rentals payable monthly. There is escalation of 10% in lease rentals during the lease terms.

(iii) Fair value

Fair value of the investment property as on March 31, 2017 was Rs. 364.79 million. There is no sigificant change in the fair value of investment property after March 31, 2017.

Estimation of fair value

The company obtains valuations for its investment properties internally. The best evidence of fair value is current prices in an active market for similar properties

(iv) Leased assets

Leasehold land under finance lease (Rs. in Million)

	As at March 31, 2018	As at March 31, 2017
Leasehold land		
Cost	33.30	33.30
Accumulated depreciation	1.20	0.80
Net Carrying amount	**32.10**	**32.50**

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Note 5 - Intangible Assets

(Rs. in Million)

Asset class	Gross carrying amount			Amortisation			Net carrying amount
	As at April 1, 2017	Additions	As at March 31, 2018	As at April 1, 2017	Amortisation charge	As at March 31, 2018	As at March 31, 2018
Software	87.57	53.21	140.78	47.81	25.02	72.83	67.95
Technical Knowhow	8.94	19.12	28.06	1.86	3.10	4.96	23.10
Total	96.51	72.33	168.84	49.67	28.12	77.79	91.05

Intangible assets under development as at March 31,2018

Opening balance	0.21
Addition during the year	78.09
Capitalised during the year	(72.33)
Closing balance	**5.97**

(Rs. in Million)

Asset class	Gross carrying amount			Amortisation			Net carrying amount
	As at April 1, 2016	Additions	As at March 31, 2017	As at April 1, 2016	Amortisation charge	As at March 31, 2017	As at March 31, 2017
Software	59.36	28.21	87.57	26.64	21.17	47.81	39.76
Technical Knowhow	8.94	-	8.94	0.37	1.49	1.86	7.08
Total	68.30	28.21	96.51	27.01	22.66	49.67	46.84

Intangible assets under development as at March 31,2017

Opening balance	6.32
Addition during the year	22.10
Capitalised during the year	(28.21)
Closing balance	**0.21**

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(Rs. in Million)

					As at March 31, 2018	As at March 31, 2017
6 (a)	**Non-current investments**					
		Face value per share	**Number of Shares As at March 31, 2018**	**Number of Shares As at March 31, 2017**		
	Investment in subsidiaries- equity instruments at cost fully paid up (unquoted)					
	Durovalves India Private Limited	₹10.00	3,144,730	3,144,730	324.78	324.78
	Varroc Lighting Systems (India) Private Limited	₹10.00	439,997	439,997	445.09	445.09
	Varroc Polymers Private Limited	₹10.00	529,100	529,100	500.00	500.00
	Varroc European Holding B.V.	€ 100.00	207,670	207,670	1,300.42	1,300.42
	Aries Mentor Holding B.V.	€ 100.00	102,475	102,475	738.34	738.34
	Varroc Corp Holding B.V.	€ 100.00	370,712	370,712	2,871.08	2,871.08
	Varroc Japan Co. Ltd	¥10.00	10,000	10,000	0.10	0.10
	Total (A)				**6,179.81**	6,179.81
	Investment carried at FVPL					
	Investment in equity instruments at FVPL (unquoted)					
	The Saraswat Co-Operative Bank Limited	₹10.00	6,000	6,000	0.06	0.06
	Investment in Government securities at amortised cost (unquoted)					
	National saving certificates				0.06	0.06
	Total (B)				**0.12**	0.12
	Total Non-current Investments (A+B)				**6,179.93**	6,179.93
	Less : Provision for other than temporary diminution in equity instruments of subsidiaries Investments (C)				**(1,532.72)**	(1,532.72)
	Total non current investment (A+B-C)				**4,647.21**	4,647.21
6 (b)	**Non current - Loans**					
	Security deposits				17.45	10.13
	Total Non Current - Loans				**17.45**	10.13

7	**Non current - Other financial assets**		
	Other assets	0.39	0.41
	Total non current other financial assets	**0.39**	0.41

8	**Income tax assets (net)**		
	Income tax assets (net)	24.04	23.78

9	**Other non current assets**		
	Capital advances	152.25	50.56
	Provision for capital advances	(1.57)	(4.69)
	Net capital advances	150.68	45.87
	Amount paid under protest	1.73	1.16
	Vat recoverable	5.45	4.73
	Government grant receivable	170.65	36.12
	Total Other non current assets	**328.51**	87.88

10	**Inventories**		
	Raw materials (Includes material in transit of Rs. 28.19 Million (March 31, 2017 Rs. 69.84 Million)	689.70	472.20
	Work-in-progress	715.14	667.19
	Finished goods(Includes finished goods in transit of Rs. 274.02 Million (March 31, 2017 Rs. 235.84 Million)	274.02	252.56
	Stock in trade (Includes stock in trade in transit of Rs. NIL (March 31, 2017 Rs. 12.87 Million)	22.00	80.87
	Stores and spare-parts (Includes stores-spares in transit of Rs. 1.14 Million (March 31, 2017 Rs. 0.11 Million)	99.59	109.43
	Loose tools (Includes Loose tools in transit of Rs. 2.81million (March 31, 2017 Rs. 0.06 Million)	129.51	129.81
	Packing material (Includes Packing material in transit of Rs. NIL (March 31, 2017 Rs. 0.06 Million)	16.19	13.88
	Renewable energy certificates	0.75	5.54
	Total	**1,946.90**	1,731.48

11	**Current investment**		
	Investment in mutual funds (unquoted)		
	31.777 units of 'LIC MF Liquid Fund (previous year Nil units)	0.10	-
	Aggregate amount of fair value of unquoted investment	**0.10**	-

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		As at March 31, 2018	As at March 31, 2017
12	**Trade receivables**		
	Trade receivables	3,788.17	2,461.55
	Receivable from related parties (refer note 47)	106.05	68.52
	Less: Allowance for doubtful debts	(5.79)	(12.65)
	Total	3,888.43	2,517.42
	Break-up of trade receivables		
	Unsecured, considered good	3,888.43	2,517.42
	Unsecured, considered Doubtful	5.79	12.65
	Total	3,894.22	2,530.07
	Allowance for doubtful debts	(5.79)	(12.65)
	Total	3,888.43	2,517.42
	Non-Current Portion	-	-
	Current Portion	3,888.43	2,517.42

Transferred Receivables

The carrying amounts of trade receivables include receivable which are subject to a factoring arrangement. Under the arrangement, the company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, company has retained credit risk and late payment risk. The Company therefore continues to recognise the transferred assets in its balance sheet. The amount repayable under the factoring agreement is presented as unsecured borrowing.

	As at March 31, 2018	As at March 31, 2017
The relevant carrying amounts are as follows:		
Total transferred receivables	1,018.91	-
Associated unsecured borrowing (refer note 25)		

		As at March 31, 2018	As at March 31, 2017
13	**(a) Cash and cash equivalents**		
	Cash on hand [refer note 40 (a)]	0.79	0.63
	Bank balances		
	In current accounts	83.24	28.60
	Deposit with maturity of less than 3 months	-	0.21
	Total Cash and cash equivalents	84.03	29.44
	(b) Other bank balances		
	Long term deposits with original maturity more than 3 months but less than 12 months	1.83	1.86
	Total other bank balances	1.83	1.86

There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior period.

		As at March 31, 2018	As at March 31, 2017
14	**Current - Loans**		
	Loans to related parties (Refer note 47)		
	Interest receivable, Unsecured, considered doubtful	78.40	67.25
	Less: Provision for doubtful debts	(78.40)	(67.25)
		-	-
	Unsecured, considered good		
	Security deposits	17.64	24.42
	Loans to employees	1.07	1.04
	Total Current loans	18.71	25.46

		As at March 31, 2018	As at March 31, 2017
15	**Other financial assets**		
	Derivative financial assets at FVPL		
	Derivative contracts	38.26	39.17
	Non-derivative financial asset at amortised cost		
	Accrued interest	0.08	0.98
	Initial Public Offer expenses receivable*	136.98	-
	Others	-	5.60
	Total other current financial assets	175.32	45.75

*Initial Public Offer expenses receivable comprise share issue expenses incurred in connection with the proposed Initial Public offer (IPO) by way of offer for sale by existing shareholders of the Company. These receivables include fees paid to stock exchanges, SEBI, lawyers, auditors etc., in connection with the IPO of the Company. As per the offer agreement between the Company and the selling shareholders, upon successful completion of the Offer, these expenses will be reimbursed by the selling shareholders in proportion to their respective Offered Shares sold pursuant to the Offer. Accordingly, the Company has classified these expenses as receivable from selling shareholders under Other Financial Assets. Initial Public Offer expenses includes receivable from related parties refer note 47.

		As at March 31, 2018	As at March 31, 2017
16	**Other current assets**		
	Advance to suppliers	35.42	64.70
	Prepaid expenses	51.22	39.26
	Balance with government authorities	1.03	157.94
	Government grant receivable	107.19	-
	Others	39.72	13.77
	Total other current assets	234.58	275.67

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	As at March 31, 2018	As at March 31, 2017

17 Equity and Preference share capital

Movement in Authorised Capital

	Number of Shares Equity share Capital	Number of Shares Preference share Capital
Opening Balance as on April 01,2017	16,500,000	33,500,000
Add:- Increase during the year (Refer Note 17 (g))	233,500,000	216,500,000
Closing Balance as on March 31, 2018	250,000,000	250,000,000

	Number of Shares As at March 31, 2018	Number of Shares As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Authorized:				
Equity shares of Re.1 each (previous year Rs.10 each)	250,000,000	16,500,000	250.00	165.00
Preference shares of Re 1 each (previous year Rs.10 each)	250,000,000	33,500,000	250.00	335.00
			500.00	500.00
Issued, subscribed and paid-up:				
Equity shares of Re. 1 each (previous year Rs. 10 each) fully paid up	123,127,760	12,312,766	123.13	123.13
0.0001% Series "B" compulsorily convertible preference shares ("Series B CCPS") of Re.1 each (previous year Rs. 10 each) fully paid up	-	852,359	-	8.52
0.0001% Series "C" compulsorily convertible preference shares ("Series C CCPS") of Re.1 each (previous year Rs. 10 each) fully paid up	11,683,770	1,168,377	11.68	11.68
			134.81	143.33

(a) Movement in share capital

	Nos As at March 31, 2018	Rs. In Million As at March 31, 2018	Nos As at March 31, 2017	Rs. in Million As at March 31, 2017
Equity shares				
Outstanding at the beginning of the year	12,312,766	123.13	10,465,851	104.66
0.001% series A CCPS converted into equity shares	-	-	1,846,915	18.47
Less- Capital reduction (Refer Note 17 (f))	(852,349)	(8.52)	-	-
Add:- 0.0001% series B CCPS 8,52,359 shares converted into equity shares	852,359	8.52	-	-
Outstanding number of shares before considering the impact of sub division of equity shares	12,312,776	123.13		
Adjusted closing number of shares on account of sub-division of equity shares (Refer Note 17 (g))	123,127,760	123.13		
Outstanding at the end of the year	123,127,760	123.13	12,312,766	123.13
Preference shares				
Outstanding at the beginning of the year	2,020,736	20.20	16,623,365	166.23
Add/(Less):- 0.001% Series A CCPS (converted)into equity shares during the year	-	-	(16,623,365)	(166.23)
Add/(Less) :- 0.0001% Series B CCPS issued during the year	-	-	852,359	8.52
Add:- 0.0001% Series C CCPS issued during the year	-	-	1,168,377	11.68
Less:- 0.0001% series B CCPS 8,52,359 shares converted into equity shares	(852,359)	(8.52)	-	-
Outstanding number of shares before considering the impact of sub division of preference shares	1,168,377	11.68		
Adjusted number of shares on account of sub-division of preference shares (Refer Note 17 (g))	11,683,770	11.68		
Outstanding at the end of the year	11,683,770	11.68	2,020,736	20.20

(b) Rights, Preferences and Restrictions attached to Equity Shares

Equity shares: The Company has equity shares having a par value of Re. 1 per share (previous year Rs.10/- per share). In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

Pursuant to the agreements, the Company had issued and allotted 2 equity shares having face value of Rs. 10 each at a premium of Rs. 990 per equity share to OMEGA TC Holdings PTE Limited and TATA Capital Financial Services Limited (collectively referred to as "PE Investors").

(c) Conversion of Series A CCPS:

During the year 2013-14, pursuant to the agreement with the Private Equity Investors, the Company had issued and allotted 29,999,980 number of 0.001% Series A CCPS having face value of Rs. 10 each at a premium of Rs. 90 per share. The said Series A CCPS are cumulative, mandatorily and fully convertible preference shares.

Prior to conversion of Series A CCPS:

(i) The said PE Investors are entitled to vote at each meeting of the holders of equity shares of the Company to the extent of 9% of the Equity Share Capital on a fully diluted basis. The remaining 91% voting rights are with other equity shareholders of the Company in proportion to the number of shares held by them.

(ii) The holders of each Series A CCPS are entitled to preferential dividend at the rate of 0.001% per year. The amount of dividend accrued on each Series A CCPS during a financial year is required to be distributed by the Company to the Investors by way of preferential dividend on April 1st of the subsequent financial year.

(iii) Series A CCPS were classified as compound financial instrument and were accounted based on the terms of the agreement, provisions of IND AS 109 and section 68 (2) (c) of the Companies Act, 2013. During previous year, Series A CCPS were converted into 1,846,915 equity shares of Rs.10/- each ranking pari passu with the existing equity shares of the Company as per the Amendment And Supplemental Agreement dated March 9, 2017 to original Share Subscription Agreement dated January 24, 2014 entered into between the Company, Promoters and PE investors and have been accounted for accordingly.

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		As at March 31, 2018	As at March 31, 2017

(d) Bonus Issue of Series B CCPS

During the year ended March 31, 2017, the Company issued and allotted 852,359 Series B CCPS of Rs.10/- each fully paid as bonus to eligible equity shareholders of the Company in the ratio of 61 fully paid Series B CCPS for every 688 equity shares of the Company held by them. The Series B CCPS are non-cumulative, non-participating preference shares, mandatorily and fully convertible into equity shares on occurrence of the trigger event. The holder of each Series B CCPS were entitled to preferential dividend at the rate of 0.0001% per year on the face value. The Series B CCPS did not have any entitlement to participate in any dividend distribution to the holders of Equity Shares. Under Ind AS, Series B CCPS were been classified as an equity instrument based on the terms of the agreement and trigger event, which is earlier of :

(i) the date on which the Equity Shares of the Company held by Varroc Polymers Private Limited (VPPL) stand extinguished pursuant to the Capital Reduction Scheme becoming effective after being duly approved by the National Company Law Tribunal; or

(ii) the date that the Company files a red herring prospectus with the SEBI for undertaking an IPO.

During the year ended March 31, 2018, the series B CCPS were been converted into equity shares pursuant to the approval of the Capital reduction scheme of VPPL by the NCLT (refer note f below). These shares were issued and allotted through a special resolution passed in the Board Meeting held on January 16, 2018.

(e) Bonus Issue of series C CCPS

During the year ended March 31, 2017, the Company issued and allotted 1,168,377 Series C CCPS of Rs.10/- each fully paid as bonus to eligible equity shareholders of the Company in the ratio of 57 fully paid up Series C CCPS for every 469 equity shares of the Company held by them. The Series C CCPS are non-cumulative, participating preference shares, mandatorily and fully convertible into equity shares on occurrence of the trigger event. The holder of each Series C CCPS are entitled to preferential dividend at the rate of 0.0001% per year on the face value. The Series C CCPS are entitled to participate, on a pari passu basis with Equity Shares, in any dividend distribution to the holders of Equity Shares on an 'as if converted' basis. For the purpose of dividend distribution, the Series C CCPS prior to their conversion shall constitute 1.3% of the Equity Share Capital on a fully diluted basis. Under Ind AS, Series C CCPS have been classified as an equity instrument based on the terms of the agreement and trigger event, which is earlier of:

(i) the date on which the Company files a red herring prospectus with the SEBI for undertaking an IPO or

(ii) IPO Veto Date;

(iii) the Conversion Deadline, as defined in the terms of the agreement. (each such event being the "Series C Trigger Event")."

Subsequent to the year end, in the Board Meeting held on May 31, 2018, these Series C CCPS were converted in the ratio of 1:1 into 11,683,770 equity shares of ₹ 1 each, ranking pari-passu with the existing equity shares of the Company.

(f) Capital reduction

The Company, pursuant to the provisions of Section 66 of the Companies Act, 2013 and the rules made thereunder, had filed a petition for reduction of 852,349 equity shares of Rs. 10 each held by wholly owned subsidiary Varroc Polymers Private Limited (VPPL) without any consideration. This scheme was approved by the National Company Law Tribunal (NCLT) and was filed with the Registrar of Companies (ROC) on December 18, 2017. The ROC registered the order on January 15, 2018 and the Company took on record this transaction at the Board Meeting on January 16, 2018. Pursuant to this transaction, share capital of Rs. 8.52 million has been transferred to Capital Reserve as at March 31, 2018.

(g) During the year, face value per Equity Share and Preference Share have been sub divided from Rs. 10 to Rs. 1. Further authorised share capital of the Company was reclassified from Rs. 500 Million consisting of Rs. 165 Million (165,000,000 Equity Shares of Rs.1/- each) and Rs. 335 Million (335,000,000 Preference Shares of Rs.1/- each) to Rs. 250 Million (250,000,000 Equity Shares of Rs.1/- each) and Rs. 250 Million (Consisting of 250,000,000 Preference Shares of Rs.1/- each).

(h) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of the Shareholder	As at March 31, 2018 Numbers of shares Face value Rs. 1	As at March 31, 2018 % of shareholding	As at March 31, 2017 Numbers of shares Face value Rs. 10	As at March 31, 2017 % of shareholding
Equity Shares				
Mr. Tarang Jain	50,798,590	41.26%	3,529,025	28.66%
TJ Holdings Trust	33,850,000	27.49%	3,385,000	27.49%
Omega TC Holdings PTE LTD	16,917,130	13.74%	1,691,713	13.74%
Naresh Chandra Holdings Trust	10,000,000	8.12%	1,000,000	8.12%
Suman Jain Holdings Trust	10,000,000	8.12%	1,000,000	8.12%
M/s Varroc Polymers Private Limited	-	-	852,349	6.92%
Preference Shares				
Mr. Tarang Jain	11,683,770	100.00%	1,453,523	71.93%
Mr. Naresh Chandra	-	0.00%	324,504	16.06%
Mrs. Suman Jain	-	0.00%	242,709	12.01%

(i) Aggregate number of bonus shares issued during the five years immediately preceding March 31, 2018

	No of Shares
0.0001% Series B CCPS and Series C CCPS allotted as fully paid up bonus shares by capitalisation of profits from securities premium during the year ended March 31, 2017.	20,20,736

The Company during the preceding 5 years:

i. Has not allotted shares pursuant to contracts without payment received in cash.
ii. Has not issued shares by way of bonus shares except as above.
iii. Has not bought back any shares.

(j) Varroc Polymers Private Limited, a wholly owned subsidiary of the Company, holds Nil (Previous year 852,349) shares of the Company.

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		As at March 31, 2018	As at March 31, 2017
18	**Reserves and surplus**		
	Retained earnings	1,818.60	1,182.23
	General reserve	1,474.38	1,474.38
	Capital reserve	8.52	-
	Debenture redemption reserve	200.00	200.00
	Securities premium reserve	6,481.43	6,481.43
		9,982.93	9,338.04
	Retained earnings		
	Balance at the beginning of the year	1,182.23	1,015.09
	Add:- Profit for the year	698.30	420.04
	Add:- Items of other comprehensive income recognised directly in retained earning		
	Remeasurement of post-employment benefit obligation (Net of tax)	10.82	(8.04)
	Less:- Interim dividend of Rs.0.50 per equity share of Re. 1 each (previous year: Rs. 3.5 per equity share of Rs.10 each) [(including dividend distribution tax Rs.11.19 Million) (Previous year Rs.4.61 Million)] (refer note 17 (g))	(72.75)	(44.86)
	Less:- Transfer to debenture redemption reserve (25% of face value)	-	(200.00)
	Balance at the end of the year	1,818.60	1,182.23
	General reserve		
	Balance at the beginning and end of the year	1,474.38	1,474.38
	Capital reserve		
	Balance at the beginning of the year	-	-
	Add:-On account of Capital reduction (Refer Note 17(f))	8.52	-
	Balance at the end of the year	8.52	-
	Debenture redemption reserve		
	Balance at the beginning of the year	200.00	-
	Add:-Transfer from retained earnings	-	200.00
	Balance at the end of the year	200.00	200.00
	Securities premium reserve		
	Balance at the beginning of the year	6,481.43	3,366.25
	Add:- Conversion of 0.001% Series "A" CCPS into equity shares (Refer Note 17)	-	3,135.43
	Less:- Issue of 0.0001% Series "B" CCPS and Series "C" CCPS (Refer Note 17)	-	(20.25)
	Balance at the end of the year	6,481.43	6,481.43
	Total Reserves and surplus	9,982.93	9,338.04
19	**Other reserves**		
	Cash flow hedge		
	Balance at the beginning of the year	(8.95)	(9.28)
	Gain/ (Loss) on changes in fair value of hedging instruments	12.02	(21.84)
	Income tax relating to gains/loss reclassified to profit and loss	(4.20)	7.56
	Reclassification to Statement of Profit and Loss	(1.14)	14.61
	Balance at the end of the year	(2.27)	(8.95)
	Equity component of CCPS (Refer Note 17(c))		
	Balance at the beginning of the year	-	885.66
	Transfer during the year	-	(885.66)
	Balance at the end of the year	-	-
	Total other reserve	(2.27)	(8.95)

Nature and purpose of reserves

General reserve

General reserve is the retained earning of the company which is kept aside out of the company's profits to meet future (known or unknown) obligations.

Debenture redemption reserve

The company is required to create a debenture redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

Capital reserve

Capital reserve is not available for distribution as dividend.

Securities premium reserve

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

Cash flow hedging reserve

The company uses hedging instruments to hedge its exposure to movements in foreign exchange rates and interest rates, which are designated as cash flow hedges. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve. Amounts recognised in cash flow hedge reserve are reclassified to profit or loss when the hedged item affects profit or loss.

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Notes to the standalone financial statements

(Rs. in Million)

		As at March 31, 2018	As at March 31, 2017
20	**Non- current - Borrowings**		
	Secured		
	Debentures		
	800 8.10% Non convertible debentures of Rs.1,000,000 each	800.00	800.00
	Term loans		
	From banks		
	Rupee loans	388.89	379.99
	Foreign currency loans	608.26	1,074.49
	From financial institutions	202.38	327.21
		1,199.53	1,781.69
	Buyers credit (capital nature)	122.41	305.26
	Unsecured		
	Deferred sales tax loan	82.67	127.74
	Total non current borrowing	2,204.61	3,014.69

Maturity profile of non current borrowings

Particulars	Effective Interest Rate	Current (refer note 27)	Non Current				
			2019-20	2020-2021	2021-2022	2022-2023	Total
Term Loans	8.55% to 11.%	704.34	638.38	382.25	123.34	55.56	1,199.53
Debentures	8.10%	-	800.00	-	-	-	800.00
Buyers Credit	0.25% to 2.33%	87.26	71.61	50.80	-	-	122.41
Deferred Sales Tax Loan		45.05	35.09	25.29	16.09	6.20	82.67
		836.65	1,545.08	458.34	139.43	61.76	2,204.61

1) Rupee term loans , foreign currency loan (ECB) and Letter of Credit from Bank are secured by:

a) ECB Loan from ICICI Bank secured by First pari-passu charge by way of Joint Mortgage of immovable properties of the Company located at E-4, L-6/2, and L-4 MIDC ,Waluj, Aurangabad-431136.

b) Letter of credit (Buyers Credit) secured by First pari-passu charge on current asset of the company

2) a) Foreign currency loan (FCNR loan USD 7.27 Million) from Citi Bank N.A. is secured by first pari-passu charge on movable fixed assets of Crankshaft unit both present and future located at M-191/3, MIDC, Waluj, Aurangabad - 431136.

b) Foreign currency loan (FCNR loan USD 2.25 Million) from Citi Bank N.A. is secured by first pari-passu charge on movable fixed assets of solar unit both present and future located at Sakri, Dhule.

3) Rupee Term Loans from Financial Institution, From Banks and Non Convertible debentures are secured by:

a) Rupee Term loan of Rs. 500 Million availed from Bajaj Finance Limited is secured by first pari-passu charge on movable fixed assets both present and future of crankshaft unit located at M-191/3 MIDC, Waluj, Aurangabad - 431136.

b) Rupee Term Loan from Kotak Mahindra Bank Limited is secured by way of first pari passu charge on movable fixed assets both present and future of unit V located at L-6/2, MIDC, Waluj, Aurangabad -431136.

c) 8.10% Non convertible debentures of Rs. 800 Million is secured by way of first pari passu charge on movable fixed assets both present and future of unit III located at B-24 & 25, MIDC, Chakan, Pune - 410501 and unit VII (Valves and Forging) located at L-4, MIDC, Waluj, Aurangabad - 431136.

4) The carrying amounts of financial and non financial assets pledged as security for current and non-current borrowings are disclosed in Note 52.

		As at March 31, 2018	As at March 31, 2017
21	**Non- current - Other financial liabilities**		
	Security deposits	5.64	5.16
	Total other Financial liabilities	5.64	5.16
22	**Non -current - Provisions**		
	Compensated absences	29.95	33.09
	Provision for coupon scheme (Refer note 28)	23.10	21.61
	Total non current provisions	53.05	54.70

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		As at March 31, 2018	As at March 31, 2017
23	**Deferred tax liabilities (net)**		
	The balance comprises temporary differences attributable to :		
	Deferred tax liabilities		
	Depreciation and amortization	572.38	569.66
	Others	13.37	8.56
		585.75	578.22
	Deferred tax assets		
	Expenses allowable on payment	18.24	53.88
	Provision for doubtful debts and advances	2.02	29.27
	Unabsorbed tax depreciation and losses	-	102.50
	Others	24.62	-
	MAT Credit Entitlement	405.65	387.69
		450.53	573.34
	Total	135.22	4.88
	Movement in deferred tax assets/ (liabilities)		
	Opening deferred tax (assets) / liabilities	4.88	47.76
	Charged to profit or loss		
	Expenses allowable on payment	25.63	17.28
	Provision for doubtful debts and advances	27.25	2.25
	Unabsorbed tax depreciation and losses	102.50	2.63
	Depreciation and amortisation	2.72	46.36
	Others	(19.81)	8.11
		138.29	76.63
	Charged to other comprehensive income		
	Cash flow hedge reserve	4.20	(7.56)
	Remeasurement of defined benefit obligation	5.81	(4.43)
		10.01	(11.99)
	(Increase) / Decrease of MAT credit	(17.96)	(107.52)
	Closing deferred tax liability after set off	135.22	4.88

Note: Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

		As at March 31, 2018	As at March 31, 2017
24	**Other non -current liabilities**		
	Deferred government grant	172.66	-
	Total other non current liabilities	172.66	-

		Maturity Date	Terms of Repayment	Interest rate	As at March 31, 2018	As at March 31, 2017
25	**Current borrowings**					
	Secured					
	Cash Credit	On Demand	On Demand	9.15% to 11.80%	52.64	128.92
	Unsecured					
	Working capital facilities					
	Factored Receivables/Bill Discounting	Various	45 days	8.25% to 8.50%	1,018.91	-
	From banks (Pre-shipment credit (PCRE))	Various	6 Month	5.15%	47.77	-
	From financial institutions	Various	41 to 42 days	8.45%	605.00	380.00
	Commercial Papers				-	739.65
	Total current borrowings				1,724.32	1,248.57

Working capital facilities availed from Corporation Bank, Standard Chartered Bank, HDFC Bank Limited, CITI Bank N.A, ICICI Bank Limited, IDBI Bank Limited and Kotak Mahindra Bank Limited are secured by first pari-passu charge by way of hypothecation of stocks of raw materials, work in progress, finished goods, consumable, stores and spares, packing materials and receivables of the Company both present and future.

The carrying amounts of financial and non financial assets pledged as security for current and non-current borrowings are disclosed in Note 52

Net Debt Reconciliation	March 31,2018	March 31,2017
Cash and Cash equivalents including cash credit (refer note 13 (a)	31.39	(99.48)
Current borrowings	(1,671.68)	(1,119.65)
Non-current borrowings includes Current maturities of non-current borrowings (refer note 20 and 27)	(3,041.26)	(3,581.39)
Interest accrued but not due (refer note 27)	(28.04)	(32.33)
Net debt	(4,709.59)	(4,832.85)

Reconciliation of Net Debt

Particulars	As on April 1, 2017	Cashflows	Interest Expenses	Interest Paid	Cash flow hedge Reserve	Gain/loss on sale of investments	As on March 31, 2018
Cash and cash equivalent	(99.48)	130.87					31.39
Liquid Investment	-	0.48				0.58	0.10
Current borowings	1,119.65	552.03					1,671.68
Non-current borrowings	3,581.39	(541.27)			1.14		3,041.26
Interest accrued but not due	32.33		401.50	405.79			28.04

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		As at March 31, 2018	As at March 31, 2017
26	**Trade payables**		
	Total outstanding dues of micro enterprises and small enterprises (refer note 41)	8.75	13.59
	Total outstanding dues other than micro enterprises and small enterprises and related parties	3,085.24	2,145.25
	Trade payables to Related Parties (refer note 47)	149.30	60.80
	Total trade payables	3,243.29	2,219.64

27	**Current - Other financial liabilities**		
	Current maturities of non-current borrowings (refer note 20)	836.65	566.70
	Interest accrued but not due on borrowings	28.04	32.33
	Capital creditors	274.78	133.76
	Customer security deposits	36.75	29.51
	Employee benefits payable	106.19	71.02
	Derivative liabilities pending settlement	48.59	60.61
	Total other financial liabilities	1,331.00	893.93

28	**Current - Provisions**		
	Provision for Employee benefits		
	Gratuity (refer note 42)	-	14.98
	Compensated absences	4.58	4.48
	Others		
	Provision for loan taken by subsidiary	150.77	129.30
	Provision for warranties*	23.32	16.91
	Provision for coupon scheme**	15.40	14.40
	Total current provision	194.07	180.07

	Warranties		Provision for loan taken by subsidiary		Provision for coupon scheme	
	March 31,2018	March 31,2017	March 31,2018	March 31,2017	March 31,2018	March 31,2017
Balance as at the beginning of the year	16.91	14.57	129.30	140.39	36.01	27.68
Additions during the year	24.32	20.00	21.47	-	12.91	12.38
Utilization/Reversed during the year	(17.91)	(17.66)	-	(11.09)	(10.42)	(4.05)
Balance as at the end of the year	23.32	16.91	150.77	129.30	38.50	36.01
Current Portion	23.32	16.91	150.77	129.30	15.40	14.40
Non-Current Portion	-	-	-	-	23.10	21.61
Total	23.32	16.91	150.77	129.30	38.50	36.01

* Provision for warranties :- The Company provides warranties on applicable products, for their satisfactory performance during the warranty period as per the contracts with buyers. Provision for warranty claims arising out of such obligation is made based on such warranty period.

** Provision for Coupon Scheme :- Provision is made for estimated cost of coupons redemption. These coupons are excpected to be redeemed with in 2-3 years. Management estimates the provision based on historical claims information and any recent trands. The impact on discounting of the provision is not material.

29	**Other current liabilities**		
	Advance received from customers	57.43	39.89
	Statutory Dues Payable	98.15	56.93
	Other payables	46.71	40.55
	Deferred government grant	34.53	61.11
	Total Other current liabilities	236.82	198.48

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		For the year ended March 31, 2018	For the year ended March 31, 2017
30	**Revenue from operations**		
	Sale of products *		
	Finished goods	**19,917.59**	16,965.98
	Traded goods	**686.58**	807.68
	Other operating revenue		
	Wind power generation	**51.26**	56.85
	Solar power generation	**44.42**	51.24
	Job work receipts	**4.40**	1.80
	Scrap sales	**82.65**	51.31
	Management fees	**73.43**	88.77
	Export Incentives	**66.61**	38.97
	Others	**27.81**	57.93
	Total revenue from operations	**20,954.75**	18,120.53
	* Note: Revenue from Operations for the year ended March 31, 2017 includes excise duty which is discontinued w.e.f. July 1, 2017 upon implementation of Goods and Services Tax (GST) in India. In accordance with Ind AS 18, Revenue, GST is not included in Revenue from Operations. In view of the aforesaid restructuring of Indirect taxes, Revenue from Operations for the year ended March 31, 2018 is not comparable with that of the previous year.		
	Revenue from operations net of Excise duty	**20,468.92**	16,760.10
31	**Other income**		
	Rent income from investment properties	**46.72**	44.78
	Dividend Income from equity investments carried at cost	**6.62**	17.63
	Interest Income		
	from financial assets measured at amortised cost	**0.23**	1.96
	Others	**0.61**	4.10
	Unwinding of discount on security deposit	**1.49**	0.45
	Net gain on sale of investments	**0.58**	9.42
	Government grants	**105.24**	74.13
	Net foreign exchange gain	**69.53**	122.31
	Commission on corporate guarantees	**47.29**	35.50
	Miscellaneous income	**9.40**	14.23
	Total Other income	**287.71**	324.51
32	**Cost of materials consumed**		
	Raw material at the beginning of the year	**472.20**	458.61
	Add: Purchases	**12,753.27**	10,140.15
		13,225.47	10,598.76
	Less: Raw material at the end of the year	**689.70**	472.20
	Total cost of materials consumed	**12,535.77**	10,126.56
33	**Changes in inventories of work-in-progress, stock-in-trade and finished goods**		
	Opening balance		
	Work-in-progress	**667.19**	628.62
	Finished goods	**252.56**	206.18
	Stock-in-trade	**80.87**	98.61
	Total opening balance	**1,000.62**	933.41
	Closing balance		
	Work-in-progress	**715.14**	667.19
	Finished goods	**274.02**	252.56
	Stock-in-trade	**22.00**	80.87
	Total closing balance	**1,011.16**	1,000.62
	Total changes in inventories of work-in-progress, stock-in-trade and finished goods	**(10.54)**	(67.21)

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		For the year ended March 31, 2018	For the year ended March 31, 2017
34	**Employee benefits expense**		
	Salaries, wages and bonus	1,525.41	1,245.44
	Contribution to Gratuity and other funds (Refer Note 42)	113.35	96.66
	Staff welfare expenses	115.00	89.66
	Total employee benefits expense	1,753.76	1,431.76
35	**Depreciation and amortisation expense**		
	Depreciation of property, plant and equipment	976.67	928.85
	Depreciation of investment property	11.32	11.31
	Amortisation of intangible assets	28.12	22.66
	Total depreciation and amortisation	1,016.11	962.82
36	**Other Expenses**		
	Consumption of stores and spares and loose tools	433.51	415.66
	Consumption of packing materials	206.90	174.61
	Repairs to		
	Buildings	6.79	9.31
	Machinery	80.81	67.11
	Others	115.65	125.73
	Telephone and communication expenses	13.64	14.32
	Water and electricity charges	544.93	485.43
	Rental charges (refer note 48 (b))	47.43	44.81
	Rates and taxes	10.67	10.08
	Contract labour cost	815.97	709.48
	Legal and professional fees	87.59	88.55
	Net loss on sale of tangible/ intangible assets	5.36	4.85
	Guarantee commission paid	-	0.06
	Travelling and conveyance	155.22	139.35
	Insurance	15.48	19.52
	Payment to Auditors - refer note (a) below	9.89	12.46
	Corporate social responsibility expenditure - refer note (b) below	18.59	16.71
	Provision for doubtful loans, advances and debts (Net)	6.81	1.24
	Sales promotion, marketing and advertisement cost	64.37	64.17
	Research and development expenses - refer note (c) below	357.91	223.69
	Freight and forwarding expenses	326.75	224.63
	Royalty	2.98	2.33
	Warranties	24.32	20.00
	Miscellaneous expenses	147.27	130.35
	Total Other expenses	3,498.84	3,004.45

(a) Payment to auditors

Statutory audit fees	2.89	3.60
Tax audit fees	0.28	0.28
Certification fees	0.50	0.43
Others	5.26	6.89
Re-imbursement of expenses	0.96	1.26
Total payment to auditors*	9.89	12.46

*In addition to the above, fees for the work in connection with the Initial Public Offer (IPO) of Rs. 28.50 Million paid/payable to the auditors have been included in the Initial Public Offer expenses receivable (Refer Note no. 15).

(b) Corporate social responsibility expenditure

As set out in section 135 of the Companies Act, 2013, the Company is required to contribute Rs.8.98 Million (previous year Rs. 11.00 Million) towards Corporate Social Responsibility activities as calculated basis 2% of its average net profits of the last three financial years. Accordingly, during the year, the Company has contributed Rs.18.59 Million (Previous year Rs. 16.71 Million) towards the eligible projects as mentioned in Schedule VII (Including amendments thereto) of the Companies Act, 2013. There is no capital expenditure incurred towards corporate social responsibilities.

(c) Research and development expenses

Consumption of raw materials, stores and spares	26.43	18.52
Power and fuel	4.23	2.96
Repairs and maintenance	15.09	8.85
Personnel costs	209.08	129.38
Others	103.08	63.98
Subtotal	357.91	223.69
Depreciation	27.99	23.10
Total	385.90	246.79

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		For the year ended March 31, 2018	For the year ended March 31, 2017
	Details of capital expenditure incurred for Research and Development are given below:		
	Particulars		
	Plant and machinery	**10.44**	2.80
	Factory equipment's and electrical installations	**14.83**	-
	Office equipment's	**0.09**	0.99
	Tools and equipment's	**1.09**	1.50
	Furniture and electrical fittings	**0.11**	1.55
	Vehicles	**0.70**	1.51
	Computers	**4.60**	4.05
	Software	**23.67**	16.94
	Total	**55.53**	29.34
37	**Finance costs (other than imputed interest and changes in cash flow estimates on liability portion of CCPS)**		
	Interest and finance charges on financial liabilities not at fair value through profit or loss	**376.45**	406.37
	Exchange differences regarded as an adjustment to borrowing costs	**12.43**	(0.20)
	Other borrowing cost	**12.62**	20.73
	Total finance cost	**401.50**	426.90

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(Rs. in Million)

	For the year ended March 31, 2018	For the year ended March 31, 2017

38 Segment Information

In accordance with paragraph 4 of notified Ind AS 108 "Operating segments", the Company has disclosed segment information only on the basis of the consolidated financial statements.

39 Income tax expense

	For the year ended March 31, 2018	For the year ended March 31, 2017
(i) Profit and loss section		
(a) Income tax expense		
Current tax		
Current tax on profits for the year	232.97	107.68
Adjustments for current tax of prior periods	-	3.31
Total current tax expense	232.97	110.99
Deferred tax	120.33	(30.89)
Total income tax expenses recognised in statement of profit and loss	353.30	80.10
(ii) Other comprehensive income (OCI) section		
(a) Deferred losses on cash flow hedges		
Income tax charged to OCI	(4.20)	7.56
(b) Remeasurement of defined benefit obligation		
Income tax charged to OCI	(5.81)	4.43
Total Deferred tax charged to OCI	(10.01)	11.99
Reconciliation of tax expense and the accounting profit :		
Profit before tax	1,051.60	500.14
Tax rate	34.61%	34.61%
Income tax expense as per applicable tax rate	363.94	173.09
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction on research and development expenditure	(71.17)	(64.60)
Corporate social responsibility expenditure	6.43	5.78
Disallowance u/s 14A of Income Tax Act, 1961	4.40	4.67
Exempt non-operating income	(2.29)	(37.25)
Other non-deductible expenses	19.26	2.16
Investment Allowance	-	(52.03)
Tax expense of prior periods	-	3.31
Imputed interest and changes in cash flow estimates on liability portion of CCPS	-	14.40
Others	32.73	30.57
	(10.64)	(92.99)
	353.30	80.10

40 (a) Disclosure on specified bank notes (SBNs)

During the previous year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December, 30 2016, the denomination wise SBNs and other notes as per the notification is given below:

Amount in Rs

Particulars	SBNs*	Other denomination Notes	Total
Closing cash in hand as on November 8, 2016	984,500	75,039	1,059,539
(+) Permitted receipts	-	942,000	942,000
(-) Permitted payments	-	(623,504)	(623,504)
(-) Amount deposited in Banks	(984,500)	(16,850)	(1,001,350)
Closing cash in hand as on December 30, 2016	-	376,685	376,685

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the November 8, 2016.

40 (b) The Shareholders at their meeting held on January 25, 2018, accorded their approval for conversion of the Company from a "Private Limited Company" to "Public Limited Company". Necessary documents have been filed with the Ministry of Corporate Affairs and the same has been approved by the Register of Companies (ROC) Mumbai on February 05, 2018.

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Note 41 - Dues to micro and small enterprises

The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

(Rs. In Million)

		March 31, 2018	March 31, 2017
a)	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	7.21	12.31
b)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.01	*
c)	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	29.04	227.96
d)	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
e)	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
f)	Interest due and payable towards suppliers registered under MSMED Act, for payments already made	0.25	0.27
g)	Further interest remaining due and payable for earlier years	1.28	1.01

* Amount below rounding off norm adopted by the Company.

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Note 42 - Employee benefit obligation

A Defined contribution plans:

The Company has certain defined contribution plans. Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards defined contribution plan is as under

(Rs. in Million)

	March 31, 2018	March 31, 2017
(i) Contribution to Employees' provident fund	41.51	39.86
(ii) Contribution to Employees' family pension fund	32.35	30.31
Total	**73.86**	70.17

B Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary plus Dearness Allowance per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognised funds in India. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

(Rs. in Million)

Particulars	As at	
	March 31, 2018	March 31, 2017
(a) Change in present value of benefit obligations		
Liability at the beginning of the year	149.57	125.45
Service cost	28.84	21.11
Interest expense	10.29	9.30
Remeasurements - Actuarial (gains)/ losses (refer note (e) below)	(16.53)	11.97
Benefits paid	(13.55)	(18.26)
Liability at the end of the year	**158.62**	149.57
(b) Change in fair value of plan assets		
Fair value of plan assets at the beginning of the year	134.59	117.25
Interest income	10.24	9.75
Remeasurements- Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	0.09	(0.32)
Contributions	27.27	26.17
Benefits paid	(13.55)	(18.26)
Fair value of plan assets at the end of the year	**158.64**	134.59

(c) The net liability disclosed above relates to funded plan is as follows:

(Rs. in Million)

Particulars	As at March 31, 2018	As at March 31, 2017
Present value of funded obligations	158.62	149.57
Fair value of plan assets	158.64	134.59
Deficit of funded plan	**(0.02)**	14.98

(d) Expenses to be recognized in the Statement of Profit and Loss under employee benefit expenses

(Rs. in Million)

Particulars	For the year ended	
	March 31, 2018	March 31, 2017
Service cost	25.70	21.11
Past service cost*	3.14	-
Net interest (income)/expense	0.04	(0.45)
Net gratuity cost	**28.88**	20.66

* This pertains to past service cost. On account of amendment to Payment of Gratuity (Amendment) Act, 2018 dated Mar 29, 2018, there is an increase in the existing ceiling limit of the amount of gratuity payable to employees who have completed five years of continuous service from rupees 10 lakhs to rupees 20 lakhs.

(e) Expenses to be recognized in statement of other comprehensive income:

(Rs. in Million)

Particulars	For the year ended	
	March 31, 2018	March 31, 2017
Remeasurement		
Experience (Gain)/ Losses on plan liabilities	(1.66)	(2.90)
(Return) / loss on plan assets excluding amounts recognised in interest (income)/expenses	(0.09)	0.32
(Gain)/loss from change in financial assumptions	(14.88)	14.87
	(16.63)	12.29

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(f) **Valuation in respect of gratuity has been carried out by independent actuary, as at the balance sheet date, based on the following assumptions:**

Particulars	For the year ended	
	March 31, 2018	March 31, 2017
Discount rate	7.90%	7.20%
Salary growth rate	7%	7%
Weighted average duration of defined benefit obligation	11.4	12.15

As per actuary report, the Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The discount rate is based on the government bonds.

Quantitative sensitivity analysis for significant assumptions are as follows:

	As at	
Change in Assumption	March 31, 2018	March 31, 2017
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	11.46%	12.20%
(ii) 1% decrease in discount rate	13.78%	14.81%
(iii) 1% increase in rate of salary escalation	12.49%	12.82%
(iv) 1% decreasing rate of salary escalation	10.68%	11.06%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 1%, keeping all other actuarial assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method(present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied while calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Major categories of Plan Assets are as follows:

(Rs. In Million)

	As at March 31, 2018		As at March 31, 2017	
	Amount	%	Amount	%
Funds managed by Insurer	158.64	100%	134.59	100%
Total	**158.64**	**100%**	**134.59**	**100%**

As the funds are managed wholly by the insurance company, the break-up of the plan assets is unavailable.

Actual return on assets for the year ended March 31, 2018 and year ended March 31, 2017 was Rs.10.34 million and Rs.9.43 million respectively.

The Company expects to contribute Rs. 30.00 Million to the gratuity trusts during the fiscal 2018. As at March 31, 2018 it has contributed Rs.28.74 Million

Maturity profile of defined benefit obligation:

(Rs. In Million)

	As at March 31, 2018	As at March 31, 2017
Within 1 year	₹ 4.31	₹ 4.88
1-2 year	₹ 6.47	₹ 5.14
2-3 year	₹ 9.76	₹ 7.45
3-4 year	₹ 12.41	₹ 10.63
4-5 year	₹ 16.84	₹ 12.32
5-10 years	₹ 113.96	₹ 92.97

RISK EXPOSURE AND ASSET LIABILITY MATCHING

Provision of a defined benefit scheme poses certain risks, some of which are detailed here under as companies take on uncertain long-term obligations to make future benefit payments.

1) **Liability Risks**

Asset-Liability Mismatch Risk-

Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the company is successfully able to neutralize valuation swings caused by interest rate movements. Hence companies are encouraged to adopt asset-liability management.

Discount Rate Risk-

Variations in the discount rate used to compute the present value of the liabilities may seem small, but in practice can have a significant impact on the defined benefit liabilities.

Future Salary Escalation and Inflation Risk -

Since price inflation and salary growth are linked economically, they are combined for disclosure purposes. Rising salaries will often resulting higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainties in estimating this increasing risk.

2) **Asset Risks**

All plan assets are maintained in a trust fund managed by a public sector insurer viz; LIC of India. LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years.

The company has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The company has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence 100% liquidity is ensured. Also interest rate and inflation risk are taken care of.

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Note 43 - Fair Value Measurement

Financial instruments by category

(Rs. in Million)

	March 31, 2018			March 31, 2017		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	0.06	-	-	0.06	-	-
- Mutual funds	0.10	-	-	-	-	-
- Government securities	-	-	0.06	-	-	0.06
Trade receivables	-	-	3,888.43	-	-	2,517.42
Loans	-	-	36.16	-	-	35.59
Cash and bank balances	-	-	85.86	-	-	31.30
Derivative Contracts	38.26	-	-	39.17	-	-
Other financial assets	-	-	137.45	-	-	6.99
Total financial assets	38.42	-	4,147.96	39.23	-	2,591.36
Financial liabilities						
Borrowings	-	-	4,765.58	-	-	4,829.96
Derivative liabilities pending settlement	-	48.59	-	-	60.61	-
Security deposits	-	-	42.39	-	-	34.67
Trade payables	-	-	3,243.29	-	-	2,219.64
Acceptances	-	-	184.12	-	-	296.18
Other financial liabilities	-	-	409.01	-	-	237.11
Total financial liabilities	-	48.59	8,644.39	-	60.61	7,617.56

(i) **Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

(Rs. in Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements at March 31, 2018	Level 1	Level 2	Level 3	Total
Financial Assets				
Equity instruments		0.06	-	0.06
Investments - Mutual funds	0.10			0.10
Derivative Contracts	-	38.26	-	38.26
Total financial assets	0.10	38.32	-	38.42
Financial Liabilities				
Derivative liabilities pending settlement	-	48.59	-	48.59
Total financial liabilities	-	48.59	-	48.59

Assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2018	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments- Government Securities	0.06	-	-	0.06
Total financial assets	0.06	-	-	0.06

Financial assets and liabilities measured at fair value - recurring fair value measurements At March 31, 2017	Level 1	Level 2	Level 3	Total
Financial Assets				
Equity instruments	-	0.06	-	0.06
Derivative Contracts	-	39.17	-	39.17
Total financial assets	-	39.23	-	39.23
Financial Liabilities				
Derivative liabilities pending settlement	-	60.61	-	60.61
Total financial liabilities	-	60.61	-	60.61

(Rs. in Million)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2017	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments- Government Securities	0.06	-	-	0.06
Total financial assets	0.06	-	-	0.06

Commentary

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price. The mutual funds are valued using the closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) **Valuation technique used to determine fair value**

The following methods and assumptions were used to estimate the fair value of the level 2 financial instruments included in the above tables:

- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- the fair value of forward foreign exchange contracts and principal swap is determined using forward exchange rates at the balance sheet date.
- the fair value of foreign currency option contracts is determined using the Black Scholes valuation model.

Commentary

The carrying amounts of trade receivables, loans, trade payables, cash and bank balances, security deposits, other financial assets, borrowings, other financial liabilities, acceptances are considered to be the same as their fair values, due to their short-term nature. The fair value of non-current financial assets and non-current liabilities also approximates its carrying value.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

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Note 44 - Financial risk management

Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The Company's corporate treasury department is responsible for liquidity and funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Company's net liquidity position through rolling forecasts on the basis of expected cash flows. As of March 31, 2018, cash and cash equivalents are held with major banks.

(ii) Maturities of financial liabilities

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

(Rs. In Million)

March 31, 2018	On demand	< 1 year	1 to 5 years	> 5 years
Non- derivative				
Borrowings	52.64	2,508.33	2,204.61	-
Contractual obligation of Interest	-	214.35	182.49	
Trade Payables	-	3,243.29	-	-
Acceptances	-	184.12	-	-
Other financial liabilities	36.75	409.01	6.00	-
Derivative liabilities pending settlement	-	48.59	-	-

March 31, 2017	On demand	< 1 year	1 to 5 years	> 5 years
Non- derivative				
Borrowings	128.92	1,686.35	3,014.69	-
Trade Payables	-	2,219.64	-	-
Acceptances	-	296.18	-	-
Other financial liabilities	29.51	237.11	6.00	-
Derivative liabilities pending settlement	-	60.61	-	-

The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Note 44 : Financial risk management

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments - foreign currency forward contracts, swaps and option contracts to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk, excluding receivables from related parties, is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The demographics of the customer including the default risk of the industry and country in which the customer operates also has an influence on credit risk assessment.

Market Risk

a) Foreign currency risk

The Company operates internationally and the business is transacted in several currencies. Consequently the Company is exposed to foreign exchange risk through its sale and purchase of goods and services, mainly in the North America and Europe and borrowings in various foreign currencies. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are affected positively/adversely as the rupee appreciates /depreciates against these currencies. The Company evaluates exchange rate exposure arising from these transactions and enters into foreign exchange forward contracts, interest and principle swaps and options to mitigate the risk of changes in exchange rates on foreign currency exposures. The Company follows established risk management policies, to hedge forecasted cash flows denominated in foreign currency. The Company has designated certain derivative instruments as cash flow hedges to mitigate the foreign exchange exposure of forecasted highly probable cash flows.

i) The Company's exposure to foreign currency risk as of March 31, 2018 expressed in INR, is as follows: **(Rs. In Million)**

	March 31, 2018				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	211.45	333.33	-	-	544.78
Interest receivable	-	78.40	-	-	78.40
Other assets	7.55	5.83	8.38	-	21.76
Financial liabilities					
Borrowings	1,144.45	70.14	71.52	-	1,286.11
Trade payables	265.39	24.32	52.40	11.19	353.30
Other liabilities	9.93	150.77	-	-	160.70
Net assets / (liabilities)	**(1,200.77)**	**172.33**	**(115.54)**	**(11.19)**	**(1,155.17)**

ii) The Company's exposure to foreign currency risk as of March 31, 2017 expressed in INR, is as follows:

	March 31, 2017				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	191.85	159.77	-	-	351.62
Interest receivable	-	67.25	-	-	67.25
Other assets	13.48	22.23	3.24	0.69	39.64
Financial liabilities					
Borrowings	1,433.73	94.83	133.97	-	1,662.53
Trade payables	160.16	13.58	34.45	15.92	224.11
Other liabilities	26.20	132.81	-	-	159.01
Net assets / (liabilities)	**(1,414.76)**	**8.03**	**(165.18)**	**(15.23)**	**(1,587.14)**

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iii) Sensitivity

For the year ended March 31, 2018 and March 31, 2017, every percentage point appreciation/depreciation in the exchange rate between the Indian rupee and U.S. Dollar, would have affected the Company's incremental operating margins by approximately Rs. 12.01 Million and Rs. 14.14 Million, respectively. The sensitivity for net exposure in EURO, JPY and in other currencies does not have material impact to Statement of Profit and Loss. Sensitivity analysis is computed based on the changes in the receivables and payables in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Interest rate risk

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

Interest rate sensitivity

The sensitivity analysis below have been determined based on exposure to interest rate. For floating rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

(Rs. In Million)

For the year ended	Currency	Increase/ decrease in base points	Effect on profit before tax	Variable rate CC balance / Term loans
March 31, 2018	INR	+100	(10.90)	1,089.89
	INR	-100	10.90	1,089.89
March 31, 2017	INR	+100	(15.00)	1,500.18
	INR	-100	15.00	1,500.18

c) Credit Risk Management

Credit risk arises when a customer or counterparty does not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing/ investing activities, including deposits with banks. The Company has 9 to 10 major clients (previous year 8 to 10 clients) which represents 82.77% receivables as on March 31, 2018 (March 31, 2017 : 80%)and company is receiving payments from these parties within due dates. Hence, the company has no significant credit risk related to these parties.

Trade receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Further, Company's customers includes marquee OEMs and Tier I companies, having long standing relationship with the Company. Outstanding customer receivables are regularly monitored and reconciled. At March 31, 2018, receivable from Company's top 5 customers accounted for approximately 74.26% (March 31, 2017: 74%) of all the receivables outstanding. An impairment analysis is performed at each reporting date on an individual basis based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in Note 12. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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Note 45 - Capital Management

(a) Risk management

The Company's capital comprises equity share capital, preference share capital, security premium, retained earnings and other equity attributable to shareholders.

The Company objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares .

The company monitors capital gearing ratio, which is net debt divided by total capital. Net debt comprises of long term and short term borrowings less cash and bank balances, equity includes equity share capital, preference share capital and reserves that are managed as capital. The gearing at the end of the reporting period was as follows.

The Company's strategy is to maintain a gearing ratio of 1:1

(Rs. In Million)

	March 31, 2018	March 31, 2017
Net debt	4,679.72	4,798.66
Total Equity	10,115.47	9,472.42
Net debt to equity ratio	0.46	0.51

No changes were made in the objectives, policies or processes for managing capital of the company during the year

(i)Loan covenants

The Company's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There has been no breach in the financial covenants of any interest-bearing loans and borrowing during the current period and previous year.

(b) Dividends	**March 31 ,2018 (Rs. In Million)**	March 31 ,2017 (Rs. In Million)
(i) Equity Shares		
Interim dividend for the year ended March 31, 2018 of Rs.0.50 per equity share of Re.1 each (March 31, 2017 of Rs. 3.5 per equity share of Rs. 10 each) per fully paid share	(61.56)	(40.25)
(II) Dividend Distribution tax	(11.19)	(4.61)

Note 46: Impact of hedging activities

(a) Disclosure of effects of hedge accounting on financial position

March 31, 2018 (Rs. in Millions)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principle and interest rate swaps		473.75		42.10	June 4, 2018 - March 4, 2021	1:1	Rs.68.75	9.99	(9.99)
Principle and interest rate swaps		146.71		6.49	August 18, 2018 - May 20, 2021	1:1	Rs.66.60	2.03	(2.03)

March 31, 2017 (Rs. in Millions)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principle and interest rate swaps		472.87		52.09	June 4, 2018 - March 4, 2021	1:1	Rs. 68.75	(13.32)	13.32
Principle and interest rate swaps		146.40		8.52	August 18, 2018 - May 20, 2021	1:1	Rs. 66.60	(8.52)	8.52

Movement in cash flow hedging reserve (Rs. in Millions)

	As at March 31, 2018	As at March 31, 2017
Cash flow hedge		
Balance at the beginning of the year	(8.95)	(9.28)
Gain/Loss on changes in fair value of hedging instrument	12.02	(21.84)
Income tax relating to gains/loss reclassified to profit and loss	(4.20)	7.56
Reclassification to Statement of Profit and Loss	(1.14)	14.61
Balance at the end of the year	(2.27)	(8.95)

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Note 47 Related Party Disclosure.

a. Related parties and their relationships

1 Subsidiaries	Varroc Polymers Private Limited Durovalves India Private Limited Varroc Lighting Systems (India) Private Limited Team Concepts Private Limited (w.e.f. November 30, 2017) Varroc European Holding B.V. Netherlands Aries Mentor Holding B.V. Netherlands Varroc Corp Holding B.V. Netherlands Varroc Japan Co: Ltd Japan (w.e.f. March 27, 2017) Industria Meccanica E Stampaggio S.p.A., Italy Esex Forging SRL, Italy (Liquidated on March 31, 2017) TRI.O.M., S.p.A., Italy Electromures SA, Romania TRI.O.M. Vietnam Co. Ltd., Vietnam Varroc Lighting Systems SRO, Czech Republic Varroc Lighting Systems S.de.R.L. De. C.V., Mexico Varroc Lighting Systems GMBH, Germany Varroc Lighting Systems Inc. USA Varroc Lighting Systems sp. Z o.o., Poland (w.e.f. December 20,2017) Varroc Lighting Systems SA, Morocco (w.e.f.September 19,2017) Varroc Do Brasil Comércio, Importação E Exportação De Máquinas, Equipamento E Peças Ltda. (w.e.f. December 20, 2017) TRI.O.M. Mexico SA De. C. V.Mexico
2 Jointly Controlled Entities	Varroc TYC Corporation British Virgin Islands Varroc TYC Auto Lamps Co. Ltd., China (Subsidiary of Varroc TYC Corporation, BVI) Varroc TYC Auto Lamps Co. Ltd. CQ, China (Subsidiary of Varroc TYC Auto Lamps Co Ltd China) Nuova CTS S.r.L., Italy Varroc Elastomers Private Limited (until March 15, 2017)
3 Key Management Personnel	Mr. Tarang Jain - Managing Director Whole time Directors Mr. Arjun Jain (until February 06, 2018) Mr. Ashwani Maheshwari Non-executive Directors Mr. Naresh Chandra Independent Directors Mr. Gautam Khandelwal (w.e.f. July 20, 2017) Mr. Marc Szulewicz (w.e.f. July 20, 2017) Mrs. Vijaya Sampath (w.e.f. July 20, 2017) Mr. Vinish Kathuria (w.e.f. February 06, 2018)
4 Relatives of Key Management Personnel with whom transactions are taken place	Mrs. Suman Jain Mrs. Rochana Jain Mr. Arjun Jain (w.e.f. February 07, 2018) Mr. Dhruv Jain
5 Enterprises Owned or controlled by/or over which Parties described in para 3 & 4 or their relatives exercise significant influence where transactions have taken place [Other than those included above]	Endurance Technologies Limited Tarang Jain (HUF) TJ Holdings Trust Naresh Chandra Holdings Trust Suman Jain Holdings Trust Varroc Trading Private Limited (Until October 20,2016)

b. Transactions with related parties

(Rs in Million)

	Description of the nature of transactions	Volume of transactions		As at March 31, 2018		As at March 31, 2017	
		For the year ended March 31, 2018	For the year ended March 31, 2017	Receivable	Payable	Receivable	Payable
A]	**Sale of goods, services and fixed assets ***						
	Industria Meccanica E Stampaggio S.p.A., Italy	**7.54**	6.40	**10.34**	-	2.80	-
	TRI.O.M., S.p.A., Italy	**0.08**	0.12	**0.89**	-	0.94	-
	Varroc Polymers Private Limited	**137.53**	104.63	**32.10**	-	20.19	-
	Durovalves India Private Limited	**21.51**	68.67	**4.76**	-	-	-
	Varroc Lighting Systems (India) Private Limited	**11.09**	-	**8.90**	-	-	-
	Endurance Technologies Limited	**91.35**	63.92	**8.12**	-	3.75	-
	Tarang Jain (refer note below)	**83.00**	-	-	-	-	-
B]	**Purchase of goods, services and fixed assets ***						
	Durovalves India Private Limited	**173.41**	142.95	-	**32.18**	-	0.16
	TRI.O.M., S.p.A., Italy	**2.09**	0.06	-	**0.57**	-	0.46
	Electromures SA, Romania	-	0.01	-	**0.14**	-	0.14
	Varroc Lighting Systems SRO, Czech Republic	**9.15**	0.20	-	**9.34**	-	0.20
	Varroc Lighting System India Pvt. Ltd.	**5.09**	0.68	-	**0.07**	-	-
	Varroc Japan Co Ltd	**16.47**	-	-	**2.92**	-	-
	Varroc Polymers Private Limited	**321.73**	330.87	-	**53.33**	-	45.71
	Varroc Elastomers Private Limited (until March 15, 2017)	-	78.74	-	-	-	12.73
C]	**Dividend received**						
	Varroc Polymers Private Limited - Equity Shares	**6.61**	6.61	-	-	-	-
	Durovalves India Private Limited - Equity Shares	-	11.01	-	-	-	-
D]	**Management consultancy fees received**						
	Duravalves India Pvt Ltd	**5.00**	5.00	**1.35**	-	2.63	-
	TRI.O.M., S.p.A., Italy	**3.83**	3.50	**3.83**	-	3.50	-
	Varroc Lighting Systems Inc. USA	**63.93**	65.28	**32.08**	-	32.25	-
	Varroc Elastomer Pvt. Ltd.	-	15.00	-	-		
E]	**Reimbursement of expenses-paid**						
	TRI.O.M., S.p.A., Italy	-	0.12	-			
F]	**Guarantee commission paid**						
	Varroc Polymers Private Limited	-	0.06	-			

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(Rs in Million)

	Description of the nature of transactions	Volume of transactions		As at March 31, 2018		As at March 31, 2017	
		For the year ended March 31, 2018	For the year ended March 31, 2017	Receivable	Payable	Receivable	Payable
E)	**Rent received**						
	Varroc Polymers Private Limited	14.22	12.90	-	-	-	-
F)	**Interest received**						
	Varroc European Holding B.V.Netherlands ##	-	-	78.40	-	67.25	-
G)	**Guarantee commission received**						
	Industria Meccanica E Stampaggio S.p.A., Italy	-	9.90	-	-	-	-
	Varroc Lighting Systems (India) Private Limited	0.55	1.47	0.59	-	0.37	-
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	12.82	12.24	-	-	-	-
	Varroc Lighting Systems Inc. USA	16.82	6.14	-	-	-	-
	Varroc European Holding B.V.	17.10	5.75	2.34	-	2.10	-
H)	**Professional charges/** Commission						
	Mr. Naresh Chandra	0.57	0.57	-	-	-	-
	Mr. Gautam Khandelwal (w.e.f. July 20, 2017)	2.70	0.23	-	2.70	-	-
	Mr. Marc Szulewicz (w.e.f. July 20, 2017)	3.70	-	-	3.70	-	-
	Mrs. Vijaya Sampath (w.e.f. July 20, 2017)	2.90	-	-	2.90	-	-
	Mr. Vinish Kathuria (w.e.f. February 06, 2018)	0.68	-	-	0.68	-	-
	TRI.O.M., S.p.A., Italy	-	2.54	-	-	-	-
	Varroc Polymers Private Limited.	-	2.67	-	-	-	1.40
I)	**Directors fees paid**						
	Mr. Naresh Chandra	0.10	0.14	-	-	-	-
	Mr. Gautam Khandelwal	0.80	0.10	-	-	-	-
	Mr. Marc Szulewicz	0.30	-	-	-	-	-
	Mrs. Vijaya Sampath	0.60	-	-	-	-	-
	Mr. Vinish Kathuria (w.e.f. February 06, 2018)	0.20	-	-	-	-	-
J)	**Managerial remuneration #**						
	Mr. Tarang Jain	47.52	41.46	-	-	-	-
	Mr. Arjun Jain - (until February 6, 2018)	4.64	4.80	-	-	-	-
	Mr. Ashwani Maheshwari	14.74	13.32	-	-	-	-
K)	**Remuneration**						
	Mrs. Rochana Jain	7.93	6.56	-	-	-	-
	Mr. Arjun Jain - (w.e.f. February 7, 2018)	0.96	-	-	-	-	-
L)	**Security Deposit Transfer**						
	Varroc Polymer Pvt. Ltd.	-	-	-	-	0.25	-
M)	**Reimburesement of Expenses (Received / Receivable)**						
	Varroc Polymer Pvt. Ltd.	0.23	-	0.23	-	-	-
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	0.24	-	0.24	-	-	-
	Varroc Lighting Systems Inc. USA	0.28	-	0.28	-	-	-
	Varroc Lighting Systems SRO, Czech Republic	0.48	-	-	-	-	-
N)	**Reimburesement of Initial Public Offer expenses (Payable)**						
	Industria Meccanica E Stampaggio s.p.a., ITALY	1.01	-	-	1.01	-	-
	Varroc Lighting Systems Inc. USA	21.13	-	-	21.13	-	-
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	9.99	-	-	9.99	-	-
	Varroc Lighting Systems GMBH, Germany	0.73	-	-	0.73	-	-
	Varroc Lighting Systems SRO, Czech Republic	9.18	-	-	9.18	-	-
	Varroc Lighting Systems (India) Pvt. Ltd.	0.32	-	-	0.32	-	-
	TRI.O.M., S.p.A., Italy	2.47	-	-	2.47	-	-
O)	**Reimburesement of Initial Public Offer expenses (Receivable)**						
	Mr. Tarang Jain	12.94	-	12.94	-	-	-
P)	**Dividend paid**						
	Mr. Tarang Jain	25.40	24.20	-	-	-	-
	Mr. Naresh Chandra	-	5.40	-	-	-	-
	Mrs. Suman Jain	-	4.04	-	-	-	-
	Mr. Arjun Jain	**	-	-	-	-	-
	Mr. Dhruv Jain	**	-	-	-	-	-
	TJ Holdings Trust	16.93	-	-	-	-	-
	Naresh Chandra Holdings Trust	5.00	-	-	-	-	-
	Suman Jain Holdings Trust	5.00	-	-	-	-	-
	Varroc Polymers Private Limited- equity shares	-	2.98	-	-	-	-
Q)	**Guarantees for facilities availed by Subsidiaries**						
	Varroc Lighting Systems (India) Private Limited	150.00	150.00	-	-	-	-
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico (USD 20.75 million; March 31, 2017 - USD 20.75 million)	1,351.66	1,349.17	-	-	-	-
	Varroc Lighting System Inc. USA (USD 31.00 million; March 31, 2017 - USD 20.75 million)	2,019.34	1,349.17	-	-	-	-
R)	**Stand by letter of credit given for facilities availed by subsidiaries**						
	Varroc European Holding B.V. (Euro 21.81 million; March 31, 2017 - Euro 16.51 million)	1,770.75	1,149.76	-	-	-	-

* All the amounts are inclusive of taxes, if any

** Amount below rounding off norm adopted by the Company.

As gratuity and compensated absences are computed for all the employees in aggregate, the amount relating to the key managerial personnel, cannot be individually identified

##Refer note 14 for provision made for doubtful debts.

There is no provision for doubtful debts related to outstanding balances and no expense has been recognised during the current period in respect of bad or doubtful debts due from related parties.

During the year ended March 31, 2017 the company has issued 852,359 Series B CCPS and 1,168,377 Series C CCPS as bonus shares to key managerial personnel and their relative. Subsequently during the current year Series B CCPS have been converted into equity shares based on the terms of the agreement, refer note 17.

Note: Represent sale proceeds of sale of property with a book value of Rs. 82.69 Million.

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Note 48 : Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017
Property, plant and equipment	1,303.48	263.40

(b) Rental expense relating to operating leases

(Rs. in Million)

	for the year ended March 31, 2018	for the year ended March 31, 2017
Total rental expense relating to operating leases	47.43	44.81

Note 49 - Earnings per share

	Year Ended March 31, 2018	Year Ended March 31, 2017
Earnings per share (EPS)		
Basic		
Profit after tax (Rs. in Million)	698.30	420.04
Profit attributable to ordinary equity shareholders (Rs. in Million) **(A)**	698.30	420.04
Weighted average number of shares outstanding (without considering impact of shares split)*	14,090,641	11,777,377
Weighted average number of shares outstanding (after considering impact of shares split) (B)	140,906,410	117,773,767
Basic EPS (Amount in Rs.)	4.96	3.57
Diluted		
Profit attributable to ordinary equity shareholders (Rs. in Million) (A)	698.30	420.04
Profit attributable to equity shareholders (Rs. in Million)	698.30	461.64
Weighted average number of shares outstanding	140,906,410	121,417,467
Diluted EPS (Amount in Rs.)	4.96	3.80
Basic earnings per share (Amount in Rs.)	**4.96**	**3.57**
Diluted earnings per share (Amount in Rs.) #	**4.96**	**3.57**

*Note : During the year, face value per Equity Share and Preference Share have been sub divided from Rs. 10 to Re. 1. Further authorised share capital of the Company was reclassified from Rs. 500 Million consisting of Rs. 165 Million (165,000,000 Equity Shares of Re. 1/- each) and Rs. 335 Million (335,000,000 Preference Shares of Re. 1/- each) to Rs. 250 Million (250,000,000 Equity Shares of Re. 1/- each) and Rs. 250 Million (Consisting of 250,000,000 Preference Shares of Re. 1/- each).

Diluted earnings per share for the year ended March 31, 2017 is restricted to basic earnings per share due to anti-dilutive impact.

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Notes to the standalone financial statements

Note 50 - Contingent liabilities
Claims against the company not acknowledged as debt

(Rs. in Million)

	March 31, 2018	March 31, 2017
Disputed Excise and Service Tax matters	122.15	119.11
Income Tax matters	124.59	-
Sales Tax matters	4.24	2.66
Other money for which the Company is contingently liable (HR)	30.78	29.86
Others	18.21	18.21

Varroc Engineering Limited
Notes to the standalone financial statements

Note 51 - The company has provided corporate guarantees / Stand by letter of credit as at March 31, 2018 :

(Rs. In Million)

Particulars	**March 31, 2018**	**March 31, 2017**
Corporate guarantees for loan taken by Indian Subsidiary	150.00	150.00
Corporate guarantees for loan taken by Foreign Subsidiaries [(March 31, 2018 - USD 51.75 million (March 31, 2017 - USD 41.50 million)]	3,371.00	2,698.34
Standby letter of credit given for loans taken by Foreign subsidiaries [('March 31,2018 - EURO 21.81 million (March 31, 2017 - Euro 16.50 million)]	1,770.75	1,149.76

For above gurantees following charge is created in favour of

1) Stand by letter of credit from Citi Bank is secured by first pari-passu charge on movable fixed assets of Crankshaft unit both present and future located at M-191/3, MIDC, Waluj, Aurangabad - 431136.

2) Stand by letter of credit from IDBI Bank is secured by first pari-passu charge by way of hypothecation of stocks of raw materials, work in progress, finished goods, consumable, stores and spares, packing materials and receivables of the Company both present and future.

3) Stand by letter of credit from Axis Bank is secured by subservient charge on the entire current assets and movable fixed assets of the Company

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Notes to the standalone financial statements

Note 52 - Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

(Rs.in Million)

	March 31, 2018	March 31, 2017
Current		
Financial assets		
Investments	0.10	-
Trade receivables	3,888.43	2,517.42
Cash and bank balances	85.86	31.30
Other financial assets	194.03	71.21
Non-financial assets		
Inventories	1,946.90	1,731.48
Other current assets	234.58	275.67
Total current assets pledged as security	**6,349.90**	**4,627.08**
Non-current		
Movable and immovable fixed assets of the Company both present and future.	6,038.31	6,699.51
Total non-currents assets pledged as security	**6,038.31**	**6,699.51**
Total assets pledged as security	**12,388.21**	**11,326.59**

As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 304026E/E-300009

Borkar

AMIT BORKAR
Partner
Membership No : 109846

Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M.DARJI
Company Secretary

Place : Mumbai
Date : May 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Varroc Engineering Limited (Formerly "Varroc Engineering Private Limited")

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of Varroc Engineering Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its joint ventures; (refer Note 48 and 55 to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement for the year then ended and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group including its joint ventures in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. The respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint ventures respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

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Registered office and Head office: Plot No. Y-14, Block EP, Sector V, Salt Lake Electronic Complex, Bidhan Nagar, Kolkata 700 091

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

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9 and 11 of the Other Matters paragraph below, other than the unaudited financial statements as certified by the management and referred to in sub-paragraph 10 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and joint ventures as at March 31, 2018, and their consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Emphasis of Matter

8. We draw your attention to note 39 of the Consolidated Ind AS Financial Statements, regarding the adjustments on account of rectification of a computational error by restatement of the comparative financial information in accordance with paragraph 42 of Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting Estimates and Errors. Our opinion is not qualified in respect of this matter.

Other Matters

9. We did not audit the financial statements/financial information of four subsidiaries whose financial statements/financial information reflect total assets of Rs. 33,867.37 million and net assets of Rs. 13,380.36 million as at March 31, 2018, total revenue of Rs. 61,412.34 million, total comprehensive income (comprising of profit and other comprehensive income) of Rs. 2,748.15 million and net cash flows amounting to Rs. (731.30) million for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of Rs. 672.91 million for the year ended March 31, 2018 as considered in the consolidated Ind AS financial statements, in respect of two joint ventures, whose financial statements/financial information have not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and joint ventures and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries and joint ventures, is based solely on the reports of the other auditors.

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10. We did not audit the financial statements/financial information of six subsidiaries whose financial statements/financial information reflect total assets of Rs.636.67 million and net assets of Rs. 112.38 million as at March 31, 2018, total revenue of Rs. 10.66 million, total comprehensive income (comprising of profit/(loss) and other comprehensive income) of Rs. (78.46) million and net cash flows amounting to Rs. 300.01 million for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of profit and other comprehensive income) of Rs. 17.37 million for the year ended March 31, 2018 as considered in the consolidated Ind AS financial statements, in respect of two joint ventures whose financial statements/financial information have not been audited by us. These financial statements/financial information are unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and joint ventures and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries and joint ventures, is based solely on such unaudited financial statements/financial information . In our opinion and according to the information and explanations given to us by the Management, these financial statements/financial information are not material to the Group.

11. The financial statements/financial information of four subsidiaries included in the consolidated financial statements/financial information, which constitute total assets of Rs.4,641.77 million and net assets of Rs. 960.92 million as at March 31, 2018, total revenue of Rs. 4,263.52 million, total comprehensive income (comprising of profit and other comprehensive income) of Rs. 43.03 million and net cash flows amounting to Rs. (0.14) million for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

    Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

12. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

    (b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group incorporated in India including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

Price Waterhouse & Co Chartered Accountants LLPIN ACC - 4362 FRN 304026E / E-300009 Pune

Price Waterhouse & Co Chartered Accountants LLP

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company and its subsidiaries included in the Group incorporated in India including relevant records relating to the preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f)With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

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

i. The consolidated Ind AS financial statements disclose the impact, if any, of pending litigations as at March 31, 2018 on the consolidated financial position of the Group and joint ventures– Refer Note 52 and 55 to the consolidated Ind AS financial statements.

ii. The Group and its joint ventures had long- term contracts as at March 31, 2018 for which there were no material foreseeable losses. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses for derivative contracts as at - March 31, 2018- Refer Note 28 to the Consolidated Ind AS financial statements in respect of such items as it relates to the Group.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India during the year ended March 31, 2018.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number 304026E/E-300009
Chartered Accountants

Borkar

Amit Borkar
Partner
Membership Number: 109846

Place: Pune
Date: June 6, 2018

Annexure A to Independent Auditors' Report

Referred to in paragraph [12(f)] of the Independent Auditors' Report of even date to the members of Varroc Engineering Limited (Formerly "Varroc Engineering Private Limited") on the Consolidated Ind AS Financial Statements for the year ended March 31, 2018

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the Consolidated Ind AS Financial Statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls with reference to financial statements of Varroc Engineering Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company and its subsidiaries to whom reporting under clause (i) of sub section 3 of Section 143 of the Act in respect of the adequacy of the internal financial controls over financial reporting is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

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

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

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5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

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

Inherent Limitations of Internal Financial Controls with reference to financial statements

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

Opinion

8. In our opinion, the Holding Company, its subsidiary companies which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Price Waterhouse & Co Chartered Accountants LLP
LLPIN AAC - 4362
FRN 304026E / E-300009
Pune

Annexure A to Independent Auditors' Report

Referred to in paragraph [12(f)] of the Independent Auditors' Report of even date to the members of Varroc Engineering Limited (Formerly "Varroc Engineering Private Limited") on the Consolidated Ind AS Financial Statements for the year ended March 31, 2018

Other Matter

9. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements insofar as it relates to one subsidiary company, which is company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India. Our opinion is not qualified in respect of this matter.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/E-3000009
Chartered Accountants

Borkar

Amit Borkar
Partner
Membership Number - 109846

Place: Pune
Date: June 6, 2018

Varroc Engineering Limited
Consolidated Balance Sheet

(Rs. in Million)

	Notes	As at March 31, 2018	As at March 31, 2017 (Restated)
ASSETS			
Non current assets			
Property, plant and equipment	3	25,863.21	22,512.05
Capital work-in-progress	3	2,440.47	2,464.58
Investment properties	4	140.55	146.34
Goodwill	5 (a)	334.72	150.82
Other Intangible assets	5 (b)	1,701.05	1,146.00
Intangible assets under development	5 (b)	1,000.25	460.80
Investments accounted for using the equity method	55	3,564.96	2,927.07
Financial assets			
Investments	6	0.20	0.20
Loans	7	106.81	82.59
Other financial assets	8	316.27	759.19
Income tax assets (Net)	9	124.35	153.03
Deferred tax assets (Net)	24	1,030.00	130.21
Other non-current assets	10	1,296.70	486.09
Total non-current assets		37,919.54	31,418.97
Current assets			
Inventories	11	8,640.97	7,534.72
Financial assets			
Investments	12	30.32	-
Trade receivables	13	14,027.34	11,382.85
Cash and cash equivalents	14(a)	3,265.78	3,500.27
Other bank balances	14(b)	23.59	40.27
Loans	15	40.07	42.29
Other financial assets	16	2,612.77	3,012.51
Other current assets	17	1,963.54	1,671.92
Total current assets		30,604.38	27,184.83
Total Assets		68,523.92	58,603.80
EQUITY AND LIABILITIES			
Equity			
Equity and Preference share capital	18	134.81	134.81
Other equity			
Reserves and surplus	19	26,106.97	21,683.36
Other reserves	20	2,038.27	35.58
Equity attributable to owners		28,280.05	21,853.75
Non-controlling interests		207.67	201.59
Total equity		28,487.72	22,055.34

Varroc Engineering Limited

Price Waterhouse & Co Chartered Accountants LLP
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Pune

Varroc Engineering Limited
Consolidated Balance Sheet

(Rs. in Million)

	Notes	As at March 31, 2018	As at March 31, 2017 (Restated)
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings	21	6,361.46	7,552.71
Other financial liabilities	22	122.81	91.17
Provisions	23	1,002.42	740.04
Deferred tax liabilities (Net)	24	508.87	130.04
Other non-current liabilities	25	310.33	83.17
Total non-current liabilities		8,305.89	8,597.13
Current liabilities			
Financial liabilities			
Borrowings	26	3,439.27	5,991.90
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	27	27.22	25.59
Total outstanding dues other than micro enterprises and small enterprises	27	19,766.57	15,036.43
Acceptances		210.34	434.92
Other financial liabilities	28	5,653.06	4,691.51
Provisions	29	448.48	597.32
Income tax liabilities (Net)	9	81.33	178.90
Other current liabilities	30	2,104.04	994.76
Total current liabilities		31,730.31	27,951.33
Total liabilities		40,036.20	36,548.46
Total equity and liabilities		68,523.92	58,603.80

Summary of significant accounting policies 2

The notes are an integral part of these financial statements

As per our report of even date

For **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm Registration No: 304026E/E-300009

Borkar

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M. DARJI
Company Secretary

Place: Mumbai
Date: May 31, 2018

Varroc Engineering Limited
Consolidated Statement of Profit and Loss

(Rs. in Million)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Revenue			
Revenue from operations	31	103,784.57	96,085.40
Other income	32	386.10	937.29
Total income		104,170.67	97,022.69
Expenses			
Cost of materials consumed	33	63,203.22	59,731.20
Purchases of stock-in-trade		923.95	987.92
Changes in inventories of work-in-progress, stock-in-trade and finished goods	34	(300.31)	(351.60)
Excise duty		996.26	3,097.52
Employee benefits expense	35	13,135.17	12,037.50
Depreciation and amortisation expense	36	3,864.65	3,370.83
Other expenses	37	17,050.62	14,765.31
Finance costs			
(i) Finance costs other than covered under (ii) below	38	861.70	862.36
(ii) Imputed interest and changes in cash flow estimates on liability portion of CCPS (refer note 18)		-	41.60
Total expenses		99,735.26	94,542.64
Profit before share of net profits of investments accounted for using equity method and tax		4,435.41	2,480.05
Share of net profits of investments accounted for using the equity method		690.27	791.88
Profit before tax		5,125.68	3,271.93
Income tax expense	40		
Current tax		1,161.10	473.42
Deferred tax		(543.19)	(336.32)
Total tax expense		617.91	137.10
Profit for the year		4,507.77	3,134.83

Varroc Engineering Limited

Price Waterhouse & Co Chartered Accountants LLP
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FRN 304026E / E-300009
Pune
AB

Varroc Engineering Limited
Consolidated Statement of Profit and Loss

(Rs. in Million)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Deferred hedging gains/(losses) on cash flow hedges (net of tax)		6.68	0.36
Exchange differences in translating the financial statements of foreign operations		1,996.01	(836.29)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation (net of tax)		(4.41)	(25.92)
Other comprehensive income for the year (net of tax)		1,998.28	(861.85)
Total comprehensive income for the year		6,506.05	2,272.98
Profit attributable to:			
Owners		4,502.58	3,131.00
Non-controlling interests		5.19	3.83
Other comprehensive income attributable to:			
Owners		1,997.80	(862.49)
Non-controlling interests*		0.48	0.64
Total comprehensive income attributable to:			
Owners		6,500.38	2,268.51
Non-controlling interests		5.67	4.47
Earnings per equity share attributable to Owners [Nominal value per share: Re. 1 (Previous year : Rs. 10)]	51		
Basic		33.40	28.66
Diluted		33.40	28.10

* Amount is below the rounding off norm of the Group

Summary of significant accounting policies 2
The notes are an integral part of these financial statements
As per our report of even date

For and on behalf of the Board of Directors

For **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants

Firm Registration No: 304026E/E-300009

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M. DARJI
Company Secretary

Place: Mumbai
Date: May 31, 2018

Varroc Engineering Limited
Statement of changes in equity

A Equity and preference share capital

	Notes	(Rs. in Million)
As at April 1, 2016		262.37
Less:- Conversion of 0.001% Series "A" CCPS to equity	18	(166.23)
Add:- Issue of equity share on conversion of 0.001% Series "A" CCPS	18	18.47
Add:- Issue of 0.0001% Series "B" CCPS	18	8.52
Add:- Issue of 0.0001% Series "C" CCPS	18	11.68
As at March 31, 2017 (Restated)		134.81
Add: Conversion of series "B" CCPS Preference shares into 852,359 equity shares. [Refer note 18 (d)]		8.52
Less: Conversion of 852,349 series "B" CCPS Preference shares into equity shares. [Refer note 18 (d)]		(8.52)
As at March 31, 2018		134.81

B Other equity

(Rs. in Million)

	Notes	Reserves and Surplus							Other Reserves			Equity attributable to Owners	Non Controlling Interests	Total Equity
		Retained earnings	General reserve	Debenture redemption reserve	Capital redemption reserve	Capital Reserve	Statutory reserves	Securities premium reserve	Foreign Currency Translation Reserve	Cash flow hedge reserve	Equity component of CCPS			
Balance at April 1, 2017		4,862.75	3,747.14	200.00	11.30	6,095.34	365.50	6,128.66	54.90	(8.94)	-	21,456.65	201.59	21,658.24
Correction of Prior Period error (Refer Note 39)		272.67							(10.38)			262.29	-	262.29
Restated Balance at the beginning of the financial year		5,135.42	3,747.14	200.00	11.30	6,095.34	365.50	6,128.66	44.52	(8.94)	-	21,718.94	201.59	21,920.53
Profit for the year ended		4,502.58										4,502.58	5.19	4,507.77
Remeasurement of defined benefit obligation (Net of tax)		(4.89)										(4.89)	0.48	(4.41)
(Gain)/loss on changes in fair value of hedging instrument (Net of tax)										6.68		6.68		6.68
Exchange differences in translating the financial statements of foreign operations									1,996.01			1,996.01		1,996.01
Transfer to debenture redemption reserve		(125.00)		125.00								-		-
Add: On account of capital reduction (refer note 18 (f))		205.95	447.59	-		(760.26)	45.30	61.42				-		-
Transactions with owners in their capacity of owners:														
Dividend paid (including dividend distribution tax Rs 12.52 million)		(74.08)										(74.08)		(74.08)
Conversion of 0.001% Series "A" CCPS into equity shares	18											-		-
Other		-										-	0.41	0.41
Balance at March 31, 2018		9,639.98	4,194.73	325.00	11.30	5,335.08	410.80	6,190.08	2,040.53	(2.26)	-	28,145.24	207.67	28,352.91

Varroc Engineering Limited

Price Waterhouse & Co Chartered Accountants LLP
LLPIN AAC-4362
FRN 304026E / E-300009
Pune

(Rs. in Million)

	Notes	Reserves and Surplus							Other Reserves			Equity attributable to Owners	Non Controlling Interests	Total Equity
		Retained earnings	General reserve	Debenture redemption reserve	Capital redemption reserve	Capital Reserve	Statutory reserves	Securities premium reserve	Foreign Currency Translation Reserve	Cash flow hedge reserve	Equity component of CCPS			
Balance at April 1, 2016		2,275.61	3,747.14	-	11.30	6,095.34	365.50	3,013.44	880.81	(9.30)	885.66	17,265.50	202.81	17,468.31
Profit for the year ended		3,131.00	-				-		-		-	3,131.00	3.83	3,134.83
Remeasurement of defined benefit obligation (Net of tax impact)		(25.28)	-				-		-		-	(25.28)	(0.64)	(25.92)
(Gain)/loss on changes in fair value of hedging instrument	20	-	-				-			0.36		0.36		0.36
Exchange differences in translating the financial statements of foreign operations									(836.29)			(836.29)		(836.29)
Transfer to debenture redemption reserve		(200.00)		200.00								-		-
Transactions with owners in their capacity of owners:														
Dividend paid (including dividend distribution tax Rs 8.87 million)		(45.91)	-				-		-		-	(45.91)	(4.08)	(49.99)
Conversion of 0.001% Series "A" CCPS into equity shares	18	-	-				-	3,135.43			(885.66)	2,249.77		2,249.77
Issue of 0.0001% Series "B" CCPS and Series "C" CCPS								(20.21)				(20.21)		(20.21)
Other	19	-	-				-		-		-	-	(0.33)	(0.33)
Balance at March 31, 2017 (Restated)		5,135.42	3,747.14	200.00	11.30	6,095.34	365.50	6,128.66	44.52	(8.94)	-	21,718.94	201.59	21,920.53

The notes are an integral part of these financial statements

For and on behalf of the Board of Directors

As per our report of even date
For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants
Firm Registration No: 304026E/E-300009

Borkar

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

TARANG JAIN
Managing Director

THARUVAI R. SRINIVASAN
Group CFO
Place: Mumbai
Date: May 31, 2018

ASHWANI MAHESHWARI
CEO and Whole Time Director

GAUTAM KHANDELWAL
Director

RAKESH M.DARJI
Company Secretary

Varroc Engineering Limited
Consolidated Statement of Cash Flows

Sr. No.	Particulars	Year ended March 31, 2018		Year ended March 31, 2017 (Restated)	
		(Rs. in Million)		(Rs. in Million)	
A	**Cash flow from operating activities**				
	Net Profit before tax		5,125.68		3,271.93
	Adjustments for:				
	Depreciation and amortization expense	3,864.65		3,370.83	
	Loss/(Profit) on sale of Property, plant and equipment/Intangible assets	1.35		5.82	
	Provision for doubtful debts and advances	61.38		44.89	
	Finance costs	861.70		862.36	
	Gain on sale of current investments	(2.70)		(59.41)	
	Share in profit of Joint Venture accounted for using the Equity Method	(690.27)		(791.88)	
	Imputed interest and changes in cash flow estimate on liability portion of CCPS	-		41.60	
	Rent income from Investment Property	(32.50)		(31.89)	
	Government grants	(151.21)		(117.31)	
	Interest income	(11.14)	3,901.26	(15.03)	3,309.98
	Operating profits before working capital changes		9,026.94		6,581.91
	Adjustments for changes in:				
	Inventories	(292.22)		(1,023.00)	
	Trade receivables	(1,339.10)		(155.07)	
	Other Assets	964.56		(2,021.77)	
	Trade payables	2,669.88		3,380.50	
	Other liabilities and Provisions	956.63		514.35	
			2,959.75		695.01
	Cash generated from operations		11,986.69		7,276.92
	Taxes paid		(1,238.20)		(511.92)
	Net cash generated from operating activities		10,748.49		6,765.00
B	**Cash flow from investing activities**				
	Dividend received	251.41		202.40	
	Interest received	11.14		15.03	
	Government grant received during the year	6.80			
	Rent received on investment properties	32.50		31.89	
	(Purchase)/proceeds from sale of current investments (net)	(27.62)		178.80	
	(Purchase)/proceeds from sale of non current investments (net)	-		65.20	
	Acquisition of business, net of cash acquired	(500.94)			
	Proceeds from sale of Property, plant and equipment	177.36		45.08	
	Purchase of Property, plant and equipment	(5,958.25)		(6,288.74)	
	Fixed deposits redeemed/Purchase (net)	(5.32)		96.00	
	Net cash used in investing activities		(6,012.92)		(5,654.34)
C	**Cash flow from financing activities**				
	Increase in borrowings	(4,298.50)		1,838.60	
	Dividend on equity and preference shares including tax thereon	(74.08)		(45.91)	
	Interest paid	(859.18)		(856.18)	
	Net cash generated from financing activities		(5,231.76)		936.51
	Net increase/ (decrease) in Cash and Cash Equivalents		(496.19)		2,047.17
	Opening cash and cash equivalents		3,053.21		1,118.61
	Effect of exchange difference on translation of foreign currency cash and cash equivalents		560.03		(112.57)
	Total		3,613.24		1,006.04
	Closing cash and cash equivalents		3,117.05		3,053.21

Varroc Engineering Limited
Consolidated Statement of Cash Flows

Particulars	Year ended March 31, 2018 (Rs. in Million)	Year ended March 31, 2017 (Rs. in Million)
Cash and cash equivalents consists of		
Cash in hand	2.19	2.10
Bank balances		
Current accounts and deposits with maturity of less than three months	3,263.59	3,498.17
Bank overdraft (Refer note 26)	(148.73)	(447.06)
	3,117.05	3,053.21

Notes:

1. The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 on "Statement of Cash Flows".
2. Figures in brackets represent out flow of Cash and cash equivalents.

As per our report of even date
For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration No: 304026E/E-300009
Chartered Accountants

Borkar

AMIT BORKAR
Partner
Membership No. 109846
Place : Pune
Date : June 6, 2018

For and on behalf of the Board of Directors

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO

RAKESH M. DARJI
Company Secretary

Place : Mumbai
Date : May 31, 2018

Varroc Engineering Limited

Notes to the Consolidated Financial Statements for the year ended March 31, 2018

Background

Varroc Engineering Limited (the "Company") is a limited liability Company, primarily engaged in the business of auto components and services in the automotive industry to Indian and global customers. The Company, its subsidiaries and jointly controlled entities operate from manufacturing plants and technical development centers across 4 continents and 12 countries spread across the globe.

Note 1: Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Varroc Engineering Limited (the 'Company'), its subsidiaries and joint ventures.

(a) Basis of preparation

(i) Compliance with Ind AS:

The Consolidated Financial Statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates and judgements. It also requires the Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

All amounts included in these Consolidated Financial Statements are reported in Million of Indian rupees (Rs. In Million) except earning per share data and unless stated otherwise.

(ii) Historical cost convention:

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) that are measured at fair value; and
- defined benefit plans and plan assets measured at fair value.

(iii) Current - Non-current classification:

All assets and liabilities have been classified as current or non-current as per the Group's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current – non-current classification of assets and liabilities.

(iv) Amended Standard adopted by the group

The amendment to Ind As 7 require disclosure of changes in liabilities arising from financing activities, refer note 26

(b) Principles of consolidation and equity accounting

The Consolidated Financial Statements comprise the financial statements of the Company, its subsidiaries and joint ventures as at and for the year ended 31 March, 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. 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.

(i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

Varroc Engineering Limited

Price Waterhouse & Co Chartered Accountants LLP
LLPIN ACC - 4362
FRN 304026E / E-300009
Pune

(ii) Joint arrangements

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

a) **Joint ventures**

Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognized at cost in the Consolidated Financial Statements.

b) **Joint operations**

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(iii) Equity Method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit and loss and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1(i) below.

(iv) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(v) The difference between the cost of investment in the subsidiaries and jointly controlled entities, over the net assets at the time of acquisition of investment is recognised in the financial statements as Goodwill or Capital Reserve on consolidation as the case may be.

(vi) The list of subsidiaries and joint ventures considered in the Consolidated Financial Statements is given in Note 48.

c. Foreign currency translation

The Group's Consolidated 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 financial statements of each entity are measured using that functional currency.

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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.

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 financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the 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.

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.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

d. 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) and Goods and Service Tax (GST) are 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. The Group provides normal warranty provisions on some of its products sold, in line with the industry practice. A liability is recognized at the time the product is sold. The Group does not provide any extended warranties.

Sale of services

Income from services is recognised on the basis of time/work completed as per contract with the customers. The Group collects service tax/goods and service tax (GST) on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

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Contract Revenue

Revenue in respect of projects for construction of the tools and design of engineering services etc. which qualify as construction contracts as per conditions of IND AS 11 are recognized on the basis of percentage of completion method.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the Management (some of which are a technical nature) of the costs of completion, the expected revenues from each contract (adjusted for probable liquidated damages, if any) and the foreseeable losses to completion.

Stage of completion of each contract is determined by the proportion that aggregate contract costs incurred for work done till the balance sheet date bear to the estimated total contract cost.

Amounts which relate to recoverable costs and accrued profits thereon, which are not yet billed on contracts are presented as Unbilled Revenue. Unearned revenue represents billing (for which payment has been received) in excess of revenue recognized. They are presented as current assets / liabilities except for those realizing / getting earned later than 12 months after the reporting date, which are presented as non-current assets / liabilities respectively.

Foreseeable losses, if any, on the contracts are recognised as an expense in the period in which they are foreseen, irrespective of the stage of completion of the contract.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend

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

Wind/solar power generation

Income from the wind / solar power generation is recognised when earned on the basis of contractual arrangements with the buyers.

e. **Government Grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to purchase of property plant and equipment are included in current and non current liabilities as deferred income and are credited to profit or loss on straight-line basis over the expected lives of the related assets and presented within other income.

f. **Income tax**

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.

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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 utilized, 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 utilised

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

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 cirçumstances 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.

g. 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.

As a lessee

Leases where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

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 unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. 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.

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h. **Business combinations**

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.

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 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.

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.

i. **Impairment of 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 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 or loss.

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

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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 the year-end at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

j. **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 consolidated 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. Bank overdraft are shown within borrowings in current liabilities in the Balance sheet.

k. **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

l. **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 weighted average 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 weighted average 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.

Duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities) are included in the value of inventory.

m. **Financial instruments**

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 and loss, transactions costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

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

- Debt instruments at amortized 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 amortized cost**

A 'debt instrument' is measured at the amortized 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 amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortization is included in finance costs/income in the Statement of Profit or Loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables.

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- ***Debt instrument at FVTOCI***

(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 and reversals and foreign exchange gain or loss in the P&L. On de-recognition 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 under 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 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 instruments as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in 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-AS 103 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 an election on an instrument-by-instrument basis. This classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument 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 the sale of the 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 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 balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- 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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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:-

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

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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 recognizes 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 recognizing 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 on a financial instrument that are possible within 12 months after the reporting date.

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

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of the 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 analyzed. On that basis, the Group estimates the following provision matrix at the reporting date:

Default Rate

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

- Financial assets measured at amortized cost, contract assets 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.

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Subsequent measurement

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

- **Financial liabilities at fair value through profit or loss**

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated 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/losses 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 amortized 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 amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest bearing loans and borrowings.

- **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 the 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 the impairment requirements of Ind-AS 109 and the amount recognized less cumulative amortization.

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

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 hose 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. 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.

Embedded derivatives closely related to the host contracts are not separated.

Embedded foreign currency derivatives

Embedded foreign currency derivatives are not separated from the host contract if they are closely related. Such embedded derivatives are closely related to the host contract, if the host contract is not leveraged, does not contain any option feature and requires payments in one of the following currencies:

- the functional currency of any substantial party to that contract,
- the currency in which the price of the related good or service that is acquired or delivered is routinely denominated in commercial transactions around the world,

- a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place (i.e. relatively liquid and stable currency)

Foreign currency embedded derivatives which do not meet the above criteria are separated and the derivative is accounted for at fair value through profit and loss. The group currently does not have any such derivatives which are not closely related.

Reclassification of financial assets and liabilities

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 changes in the business model as 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 the 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 reclassifications and how they are accounted for:

Original Classification	Revised	Accounting Treatment
Amortized cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in P&L.
FVTPL	Amortized cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortized cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognized in OCI. No change in EIR due to reclassification.
FVTOCI	Amortized cost	Fair value at reclassification date becomes its new amortized 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 amortized 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.

n. Offsetting of financial instruments

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

o. 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.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

For assets and liabilities that are recognized 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.

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

This note summarizes accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.
- Disclosures for valuation methods, significant estimates and assumptions (note 43)
- Quantitative disclosures of fair value measurement hierarchy (note 43)
- Financial instruments (including those carried at amortized cost) (note 43)

p. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate 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.

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

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Cash flow hedges that qualify for hedge accounting

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 or loss.

The Group uses derivative contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is 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 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.

The Group does not use hedges of fair value and net investment.

q. Property, plant and equipment

Freehold land is carried at historical cost except in case of certain freehold land which are at revalued amounts. All other items of property, plant and equipment are stated at historical cost less depreciation except in case of certain assets which are at revalued amounts.. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of certain leased furniture, fittings and equipment, the shorter lease term as follows:

Class of Assets	**Estimated useful life (Years) (on single shift basis)**
• Leasehold Land	Amortised over the period of lease
• Buildings	30- 50 years
• Plant and Machinery	8-20 years
• Moulds and Dies	4-7 years
• Computers	3-7 years
• Vehicles	4-7 years
• Furniture and Fixtures	5-15 years
• Other Assets	4-10 years

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter term of the asset's useful life and lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

The useful lives have been determined based on technical evaluation done by the Management's expert which are different than those specified by Schedule II to the Companies Act; 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other gains/ (losses).

r. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 30-50 years. The useful life has been determined based on technical evaluation performed by the Management's expert.

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s. **Intangible assets**

(i) **Goodwill**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal Management purposes, which in our case are the operating segments.

(ii) **Computer software**

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

(iii) **Research and development**

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Product development costs are amortised over a period of 3 to 5 years.

(iv) **Technical knowhow**

Expenditure on acquiring Technical Know-how (including Income Tax and R & D Cess) is being amortised over a period of six years from the date put to use.

(v) **Customer relationships:**

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(vi) **Amortisation methods and periods**

The group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Computer software and ERP system	3-5 years

(vii) **Patents and others**

Costs of intangible assets other than those internally generated, including patents and licenses, are valued at acquisition cost and amortized on a straight-line basis over their estimated future useful lives.

t. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

u. **Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

v. **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 or 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.

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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.

Provision for onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Contingent liabilities recognized in a business combination

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the requirements for revenue recognition.

w. Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The group operates the following post-employment schemes:

(a) defined benefit plans such as gratuity, pension; and

(b) defined contribution plans such as provident fund

Pension and Gratuity obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Defined contribution plans

The Group makes contributions to funds for certain employees to the regulatory authorities. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Bonus plans

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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x. Contributed equity

Equity instrument including its component parts are classified in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

y. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

z. Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all years presented for any share splits and bonus shares issues including for changes effected prior to the authorization for issue of the Consolidated Financial Statements by the Board of Directors.

aa. Contingent liabilities

A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made.

ab. Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital reserve.

ac. 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 balance sheet.

ad. Rounding of amounts

All amounts disclosed in the Consolidated financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III, unless otherwise stated.

ae. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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Notes to the Consolidated Financial Statements for the year ended March 31, 2018

Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the grouping disclosures.

These judgments, estimates and assumptions are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgments or complexities and of items which are more likely to be materially adjusted due to estimates and assumptions to be different than those originally assessed. Detailed information about each of these judgments, estimates and assumptions is mentioned below. These Judgments, estimates and assumptions are continually evaluated.

Note 2B:Significant judgements and estimates

1 Goodwill Impairment : Key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth, consistent with industry forecasts. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

2 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3 Fair valuation of financial instruments

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

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4 Defined benefit plans

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The mortality rate is based on publicly available mortality tables based on the country where the entity operates. Those mortality tables tend to change only at interval in response to demographic changes.

Future salary increases and gratuity increases are based on expected future inflation rates of the respective counrty.

Further details about defined benefit plans are given in Note 42.

5 Deferred tax

Deferred tax assets are reported only for loss carry forwards when it is probable that these amounts can be utilised against future taxable surpluses and against fiscal, temporary differences. At each balance sheet date, the group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the use of significant estimates with respect to assessment of future taxable income. The recorded amount of total deferred tax assets could change if estimates of projected future taxable income or if changes in current tax regulations are enacted.

The group evaluates each year if there is an impairment requirement as regards deferred tax assets, if any regarding loss carry forwards. In addition, the group evaluates if it is appropriate to capitalise new deferred tax assets regarding the year's carry forward loss .

6 Non-recognition of deferred tax liability on undistributed profits of subsidiaries

Certain subsidiaries of the group have undistributed earnings which, if paid out as dividends, could be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

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7 Customer Claims

The group has made accruals in respect of unsettled prices for some of its raw materials purchase contracts and finished goods sales contracts. These accruals are made considering the past settlement formula / communications with the vendors and customers respectively. The management has assessed and believes that the timing of cash outflow pertaining to these accruals are uncertain and hence considered the same as payable / receivable on demand and classified under current liabilities / assets respectively.

Note 2C: New pronouncements not yet adopted by the group:

1 **Ind AS 115 - Revenue from Contracts with Customers**

The Ministry of Corporate Affairs (MCA) has notified Ind AS 115, 'Revenue from Contracts with Customers', on 28 March 2018, which is effective for accounting periods beginning on or after 1 April 2018.

The new revenue standard is based on a transfer of control model, which fundamentally changes the basis of revenue recognition, presentation and disclosures. The core principle is described in a five-step model framework.

The Group is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

2 **Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:**

On March 28, 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from April 1, 2018. The Group has evaluated the effect of this on the consolidated financial statements and the impact is not material.

3 **Amendment to Ind AS 40 regarding transfers of investment property:**

On March 28, 2018 MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 which clarifies that to transfer to, or from, investment properties there must be change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change is use. A change in intention, in isolation, is not enough to support a transfer. The amendment has also re-characterised the list of evidence of change in use as a non-exhaustive list of examples and scope of theses examples have been expanded to include assets under construction and development and not only transfers of completed properties. The Company has decided to apply the amendment Prospectively to changes in use that occur on or after the date of initial application.

Management has assessed the effects of the amendment on classification of existing property at 1 April 2018 and concluded that no reclassifications are required.

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4 **Amendments to Ind AS 12 Income taxes regarding recognition of deferred tax assets on unrealised losses**

The amendments clarify the accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets set out below:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- The estimate of future taxable profit may include the recovery of some of an entity's assets for more than its carrying amount if it is probable that the entity will achieve this. For example, when a fixed-rate debt instrument is measured at fair value, however, the entity expects to hold and collect the contractual cash flows and it is probable that the asset will be recovered for more than its carrying amount.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. This is to avoid double counting the deductible temporary differences in such assessment.

The Group has evaluated the effect of this amendment on the consolidated financial statements and the impact is not material.

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Notes to the consolidated financial statements
Note 3 Property, plant and equipment

(Rs. in Million)

Particulars	Gross carrying amount						Accumulated depreciation					Net Carrying amount
Asset Class	As at April 1, 2017	Business combination (Refer Note 58)	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2018	As at April 1, 2017	For the year ended March 31, 2018	Translation adjustment	On Deductions / adjustments	As at March 31, 2018	As at March 31, 2018
Owned assets												
Freehold Land	901.70	-	-	53.38	4.54	950.54	-	-	-	-	-	950.54
Factory Building	4,604.60	40.62	943.26	291.92	0.36	5,880.04	359.30	206.16	15.61	0.27	580.80	5,299.24
Office Building	883.10	-	147.04	5.08	86.00	949.22	61.02	21.96	3.29	3.32	82.95	866.27
Plant & Machinery	15,240.80	45.16	3,086.39	971.72	123.51	19,220.56	3,104.14	2,030.96	269.69	64.99	5,339.80	13,880.76
Factory Equipment	1,760.00	5.58	338.75	120.69	21.39	2,203.63	431.70	264.06	31.10	9.30	717.56	1,486.07
Electrical Installation	406.40	-	11.55	0.45	1.32	417.08	101.30	47.38	0.17	0.73	148.12	268.96
Mould & Dies	477.60	5.94	117.14	3.64	14.75	589.57	145.21	93.38	2.24	1.15	239.68	349.89
Electrical Fitting	61.10	-	1.76	-	0.05	62.81	17.40	8.25	-	0.03	25.62	37.19
Office Equipment	135.30	0.33	31.91	6.55	0.53	173.56	57.60	33.51	3.17	0.47	93.81	79.75
Tools & Instrument	845.30	0.16	283.15	145.99	5.20	1,269.40	368.27	262.33	77.31	2.36	705.55	563.85
Furniture and fixtures	222.70	1.66	62.39	10.03	-	296.78	47.08	32.59	1.49	-	81.16	215.62
Computers	345.30	0.35	178.93	25.23	11.45	538.36	133.69	118.24	8.63	1.80	258.76	279.60
Vehicles	63.22	3.24	37.05	1.19	12.38	92.32	32.10	15.44	0.39	10.22	37.71	54.61
Leased assets												
Leasehold Land	784.81	25.04	35.99	6.91	-	852.75	39.10	14.62	*	-	53.72	799.03
Buildings	562.70	-	-	131.29	-	693.99	126.97	71.41	36.77	-	235.15	458.84
Plant & Machinery	275.40	-	-	65.00	-	340.40	33.10	24.96	9.35	-	67.41	272.99
Grand Total	27,570.03	128.08	5,275.31	1,839.07	281.48	34,531.01	5,057.98	3,245.25	459.21	94.64	8,667.80	25,863.21

(i) Capital work-in-progress	(Rs. in Million)
Opening capital work-in-progress	2,464.58
Addition during the year ended March 31, 2018	5,251.20
Capitalised during the year ended March 31, 2018	5,275.31
Closing capital work-in-progress	2,440.47

(ii) Leased assets
Leasehold land, buildings and plant & machinery under finance lease (Rs. in Million)

	March 31, 2018	March 31, 2017 (Restated)
Cost/Gross Block	1,887.14	1,622.91
Accumulated depreciation	356.28	199.17
Net Carrying amount	1,530.86	1,423.74

(iii) Property, plant and equipment pledged as security
Refer to note 53 for information on property, plant and equipment pledged as security by the group

(iv) Contractual obligations
Refer to note 50 (a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(v) Office Building includes premises on ownership basis in a Co-Operative Society Rs. 6.3 Million, including cost of shares therein Rs.125.
*Amount below rounding off norms adopted by the group

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Notes to the consolidated financial statements

Note 3 Property, plant and equipment

(Rs. in Million)

Particulars	Gross carrying amount					Accumulated depreciation					Net Carrying amount
Asset Class	As at April 1, 2016	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2017 (Restated)	As at April 1, 2016	For the year ended March 31, 2017 (Restated)	Translation adjustment	On Deductions / adjustments	As at March 31, 2017 (Restated)	As at March 31, 2017 (Restated)
Owned assets											
Freehold Land	935.90	-	(34.20)	-	901.70	-	-	-	-	-	901.70
Factory Building	3,742.80	952.20	(89.10)	1.30	4,604.60	170.70	194.70	(5.80)	0.30	359.30	4,245.30
Office Building	719.60	168.20	(3.70)	1.00	883.10	34.72	28.60	(2.30)	-	61.02	822.08
Plant & Machinery	11,687.50	3,949.80	(380.40)	16.10	15,240.80	1,457.24	1,743.20	(89.50)	6.80	3,104.14	12,136.66
Factory Equipment	1,306.60	497.10	(38.30)	5.40	1,760.00	204.40	239.10	(9.00)	2.80	431.70	1,328.30
Electrical Installation	302.70	104.30	(0.30)	0.30	406.40	49.10	52.60	(0.10)	0.30	101.30	305.10
Mould & Dies	421.20	91.70	(2.20)	33.10	477.60	71.50	77.10	(1.00)	2.39	145.21	332.39
Electrical Fitting	56.40	4.70	-	-	61.10	9.40	8.00	-	-	17.40	43.70
Office Equipment	111.30	26.60	(2.60)	-	135.30	27.90	30.60	(0.90)	-	57.60	77.70
Tools & Instrument	718.40	175.30	(47.70)	0.70	845.30	174.57	215.70	(21.50)	0.50	368.27	477.03
Furniture and fixtures	190.30	34.40	(1.80)	0.20	222.70	22.88	24.70	(0.40)	0.10	47.08	175.62
Computers	204.60	150.50	(9.70)	0.10	345.30	60.59	75.80	(2.60)	0.10	133.69	211.61
Vehicles	67.80	6.52	(0.60)	10.50	63.22	21.70	17.40	(0.60)	6.40	32.10	31.12
Leased assets											
Leasehold Land	780.91	6.40	(2.50)	-	784.81	19.40	19.70	-	-	39.10	745.71
Buildings	609.30	-	(46.60)	-	562.70	68.77	68.10	(9.90)	-	126.97	435.73
Plant & Machinery	298.20	-	(22.80)	-	275.40	12.10	23.50	(2.50)	-	33.10	242.30
Grand Total	**22,153.51**	**6,167.72**	**(682.50)**	**68.70**	**27,570.03**	**2,404.97**	**2,818.80**	**(146.10)**	**19.69**	**5,057.98**	**22,512.05**

(i) Capital work-in-progress	(Rs. in Million)
Opening capital work-in-progress	2,635.97
Addition during the year ended March 31, 2017	5,996.33
Capitalised during the year ended March 31, 2017	6,167.72
Closing capital work-in -progress	**2,464.58**

(ii) Property, plant and equipment pledged as security
Refer to note 53 for information on property, plant and equipment pledged as security by the group
(iii) Contractual obligations
Refer to note 50 (a) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iv) Office Building includes premises on ownership basis in a Co-Operative Society Rs. 6.3 Million, including cost of shares therein Rs.125.

Note 5 (a) Goodwill

(Rs. in Million)

	As at March 31, 2017 (Restated)
Balance at the beginning of the year	150.82
Add: goodwill on acquisition of subsidiary during the period (refer note 58)	-
Total Goodwill on consolidation	**150.82**

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Note 4 Investment Properties

(Rs. in Million)

Asset class	Gross carrying amount			Accumulated depreciation			Net carrying amount
	As at April 1, 2016	Additions	As at March 31, 2017 (Restated)	As at April 1, 2016	Depreciation charge	As at March 31, 2017 (Restated)	As at March 31, 2017 (Restated)
Leasehold land	20.09	-	20.09	0.20	0.20	0.40	19.69
Factory buildings	137.83	-	137.83	5.59	5.59	11.18	126.65
Total	**157.92**	-	**157.92**	**5.79**	**5.79**	**11.58**	**146.34**

Asset class	Gross carrying amount			Accumulated depreciation			Net carrying amount
	As at April 1, 2017	Additions	As at March 31, 2018	As at April 1, 2017	Depreciation charge	As at March 31, 2018	As at March 31, 2018
Leasehold land	20.09	-	20.09	0.40	0.20	0.60	19.49
Factory buildings	137.83	-	137.83	11.18	5.59	16.77	121.06
Total	**157.92**	-	**157.92**	**11.58**	**5.79**	**17.37**	**140.55**

(i) Amount recognised in Statement of Profit or Loss for investment properties

(Rs. in Million)

Asset class	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Rental income	32.50	31.89
Profit from investment properties before depreciation	32.50	31.89
Depreciation	5.79	5.79
Profit from investment properties	26.71	26.10

(ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term cancellable operating leases with rentals payable monthly. There is escalation of 10% in lease rentals during the lease terms.

(iii) Fair value

Fair value of the investment property as at March 31, 2017 were Rs. 223.60 million. As at March 31, 2018 there is no material change in the fair value of the assets.

Estimation of fair value

The group obtains valuations for its investment properties internally. The best evidence of fair value is current prices in an active market for similar properties.

(iv) Leased assets

Leasehold land under finance lease

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017
Leasehold land		
Cost	20.09	20.09
Accumulated depreciation	0.60	0.40
Net Carrying amount	19.49	19.69

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Note 5 (a) Goodwill

(Rs. in Million)

	As at March 31, 2018
Balance at the beginning of the year	150.82
Add: goodwill on acquisition of subsidiary during the year (refer note 58)	183.90
Total Goodwill on consolidation	334.72

Note 5 (b) Other Intangible Assets

(Rs. in Million)

Particulars	Gross carrying amount						Accumulated Amortisation					Net Carrying amount
Asset Class	As at April 1, 2017	Business combination (Refer Note 58)	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2018	As at April 1, 2017	For the year ended March 31, 2018	Translation adjustment	On Deductions / adjustments	As at March 31, 2018	As at March 31, 2018
Computer software	1,150.31	0.10	277.33	101.00	0.09	1,528.65	628.19	289.86	74.52	0.08	992.49	536.16
Technical know how	825.56	0.14	484.29	223.08	0.16	1,532.91	241.46	306.49	75.24	*	623.19	909.72
Customer relationship	-	190.30	-	-	-	190.30	-	12.69	-	-	12.69	177.61
Patents and others	41.61	39.77	2.30	2.85	2.40	84.13	1.83	4.57	0.17	*	6.57	77.56
Grand Total	2,017.48	230.31	763.92	326.93	2.65	3,335.99	871.48	613.61	149.93	0.08	1,634.94	1,701.05

Intangible assets under development	(Rs. in Million)
Opening balance	460.80
Addition during the year ended March 31, 2018	1,303.37
Capitalised during the year ended March 31, 2018	763.92
Closing balance	1,000.25

*Amount below rounding off norms adopted by the group

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Note 5 (b) Other Intangible Assets

(Rs. in Million)

Particulars	Gross carrying amount					Accumulated Amortisation					Net Carrying amount
Asset Class	As at April 1, 2016	Additions	Translation adjustment	Deductions / adjustments	As at March 31, 2017 (Restated)	As at April 1, 2016	For the year ended March 31, 2017 (Restated)	Translation adjustment	On Deductions / adjustments	As at March 31, 2017 (Restated)	As at March 31, 2017 (Restated)
Computer software	956.23	243.38	(48.40)	0.90	1,150.31	312.29	347.30	(30.50)	0.90	628.19	522.12
Technical know how	594.40	294.76	(62.10)	1.50	825.56	87.74	172.72	(17.50)	1.50	241.46	584.10
Patents and others	65.83	10.69	(2.01)	32.90	41.61	6.80	26.22	(0.20)	30.99	1.83	39.78
Grand Total	1,616.46	548.83	(112.51)	35.30	2,017.48	406.83	546.24	(48.20)	33.39	871.48	1,146.00

Intangible assets under development	(Rs. In Million)
Opening balance	517.05
Addition during the year ended March 31, 2017	492.58
Capitalised during the year ended March 31, 2017	548.83
Closing balance	460.80

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(Rs. In Million)

		As at March 31, 2018	As at March 31, 2017 (Restated)
6	**Non-current investments**		
	Investment in debt instrument at FVPL (unquoted)	-	-
	Investment in equity instruments at FVPL (unquoted)		
	The Saraswat Co-Operative bank	0.14	0.14
	Investment in Government securities at amortised cost (unquoted)		
	National saving certificates	0.06	0.06
	Total non current investment	0.20	0.20
	Aggregate amount of unquoted investments	0.20	0.20
7	Non Current - Loans		
	Unsecured, considered good		
	Security deposits	106.81	82.59
	Total Non Current loans	106.81	82.59
8	Non current - Other financial		
	Bank deposits with maturity of more than 12 months from balance sheet date (lien with bank is Rs.138.13 Million, March 31,2017 Rs.138.16 Million)	138.33	138.16
	Unbilled receivables	177.56	620.59
	Others	0.38	0.44
	Total non current other financial assets	316.27	759.19
9	Income tax assets/ liabilities (net)		
			-
	Income tax assets (net)	124.35	153.03
	Income tax liabilities (net)	81.33	178.90
10	Other non current assets		
	Capital advances (net)	192.62	75.53
	Advance to suppliers	198.64	109.83
	Government grant receivable	275.71	36.12
	Prepaid Expenses	3.41	-
	Balances with Government Authorities	84.29	155.67
	Others	542.03	108.94
	Total other non current assets	1,296.70	486.09
11	Inventories		
	Raw materials [Includes material in transit of Rs. 139.50 Million (March 31, 2017 Rs. 420.4 Million)]	4,625.24	3,860.99
	Work-in-progress	1,957.75	1,795.04
	Finished goods [Includes finished goods in transit of Rs. 327.38 Million (March 31, 2017 Rs. 256.5 Million)]	1,374.00	1,174.07
	Stock in trade	24.12	83.00
	Stores and spares [Includes stores and spares in transit of Rs. 0.27 Million (March 31, 2017 Rs. Nil)]	433.54	423.00
	Loose tools [Includes loose tools in transit of Rs. 2.81 Million (March 31, 2017 Rs. Nil)]	194.16	164.57
	Packing material	31.41	28.51
	Renewable energy certificates	0.75	5.54
	Total Inventories	8,640.97	7,534.72
12	Current Investment		
	Investment in mutual funds (unquoted)		
	434,453.935 units of Reliance Liquid Fund - Series II Direct Growth Plan (March 31, 2017 Nil Units)	10.06	-
	2,000,000 Reliance Liquid Fund - Series IV Direct Growth Plan (March 31, 2017 Nil Units)	20.16	-
	31.777 units of 'LIC MF Liquid Fund' (March 31, 2017 Nil Units)	0.10	-
	Aggregate fair value of unquoted investment	30.32	-

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(Rs. in Million)

		As at March 31, 2018	As at March 31, 2017 (Restated)
13	**Trade receivables**		
	Trade receivables	14,025.75	11,464.88
	Receivable from related parties (refer note 49)	153.36	66.06
	Less: Allowances for doubtful debts	(151.77)	(148.09)
	Total	14,027.34	11,382.85
	Break-up of trade receivables		
	Unsecured, considered good	14,027.34	11,382.85
	Unsecured, considered doubtful	151.77	148.09
	Total	14,179.11	11,530.94
	Less: Allowance for doubtful debts	(151.77)	(148.09)
	Total	14,027.34	11,382.85
	Non-Current Portion	-	-
	Current Portion	14,027.34	11,382.85
	Transferred Receivables		
	The carrying amounts of trade receivables include receivable which are subject to a factoring arrangement. Under the arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained credit risk and late payment risk. The Group therefore continues to recognise the transferred assets in its balance sheet. The amount repayable under the factoring agreement is presented as secured/unsecured borrowing.		
	The relevant carrying amounts are as follows:		
	Total transferred receivables (Refer note 26)	1,874.28	245.75
14 (a)	**Cash and cash equivalents**		
	Cash in hand (Refer note 59)	2.19	2.10
	Bank balances		
	In current accounts	3,260.30	3,498.17
	Deposit with maturity of less than three months	3.29	-
	Total Cash and cash equivalents	3,265.78	3,500.27
14 (b)	**Other bank balances**		
	Long term deposits with original maturity more than three months but less than twelve months	23.59	40.27
	Total other bank balances	23.59	40.27
	There are no repatriation restrictions with regard to cash and cash equivalents and other bank balances as at the end of the reporting period.		
15	**Current - Loans**		
	Unsecured, considered good		
	Loans to employees	9.12	5.94
	Security deposit	30.95	36.35
	Total Current loans	40.07	42.29
16	**Other financial assets**		
	Derivative financial assets at FVPL		
	Derivative contracts	38.25	39.17
	Non-derivative financial assets at amortised cost		
	Interest receivable other than on fixed deposits	0.65	1.57
	Unbilled receivables	2,390.21	2,965.98
	Initial Public Offering expenses receivable*	165.98	-
	Others	17.68	5.79
	Total other current financial assets	2,612.77	3,012.51

*Initial Public Offering expenses recoverable comprise share issue expenses incurred in connection with the proposed Initial Public offer (IPO) by way of offer for sale by existing shareholders of the Company. These receivables include fees paid to stock exchanges, SEBI, lawyers, auditors etc., in connection with the IPO of the Company. As per the offer agreement between the Company and the selling shareholders, upon successful completion of the Offer, these expenses will be reimbursed by the selling shareholders in proportion to their respective Offered Shares sold pursuant to the Offer. Accordingly, the Company has classified these expenses as receivable from selling shareholders under Other Financial Assets. Initial Public Offer expenses includes receivable from related parties refer note 49.

17	**Other current assets**		
	Advance to suppliers (net)	558.12	491.69
	Security deposits (Other than financial assets)	19.07	10.22
	Prepaid expenses	387.59	222.94
	Export and other incentives	13.09	13.36
	Balance with government authorities	716.77	828.40
	Government grant receivable	141.58	40.19
	Insurance claim receivable	0.02	6.58
	Others	127.30	58.54
	Total other current assets	1,963.54	1,671.92

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(Rs. in Million)

			As at March 31, 2018	As at March 31, 2017 (Restated)

18 Equity and Preference share capital

Movement in authorised capital

	Equity share capital	Preference share Capital
Opening Balance as on April 01, 2017	16,500,000	33,500,000
Add:- Increase during the year (Refer Note 18 (g))	233,500,000	216,500,000
Closing Balance as on March 31, 2018	250,000,000	250,000,000

	Number of Shares			
	As at March 31, 2018	As at March 31, 2017 (Restated)	As at March 31, 2018	As at March 31, 2017 (Restated)
Authorized:				
Equity shares of Re.1 each (previous year Rs.10 each)	250,000,000	16,500,000	250.00	165.00
Preference shares of Re.1 each (previous year Rs.10 each)	250,000,000	33,500,000	250.00	335.00
			500.00	500.00
Issued, subscribed and paid-up:				
Equity shares of Re.1 each (previous year Rs. 10 each) fully paid up	123,127,760	11,460,417	123.13	114.61
0.0001% Series "B" compulsorily convertible preference shares ("Series B CCPS") of Re.1 each (previous year Rs. 10 each) fully paid up	-	852,359	-	8.52
0.0001% Series "C" compulsorily convertible preference shares ("Series C CCPS") of Re.1 each (previous year Rs. 10 each) fully paid up	11,683,770	1,168,377	11.68	11.68
			134.81	134.81

(a) Movement in share capital

Equity shares	Nos As at March 31, 2018	Rs. in Million As at March 31, 2018	Nos As at March 31, 2017 (Restated)	Rs. in Million As at March 31, 2017 (Restated)
Outstanding at the beginning of the year	11,460,417	114.61	9,613,502	96.14
Add:- 0.001% series A CCPS converted into equity shares	-	-	1,846,915	18.47
Add:- 0.0001% series B CCPS 8,52,359 shares converted into equity shares	852,359	8.52	-	-
Outstanding number of shares before considering the impact of sub division of equity shares	12,312,776	123.13		
Adjusted closing number of shares on account of sub-division of equity shares (Refer Note 18 (g))	123,127,760	123.13		
Outstanding at the end of the year	123,127,760	123.13	11,460,417	114.61
Preference shares				
Outstanding at the beginning of the year	2,020,736	20.20	16,623,365	166.23
Less:- 0.001% Series A CCPS converted into equity shares during the year	-	-	(16,623,365)	(166.23)
Add/(Less):- 0.0001% series B CCPS 852,359 shares issued/(converted into equity shares) [considering impact of share split (Refer Note 18 (g)]	(852,359)	(8.52)	852,359	8.52
Add:- 0.0001% Series C CCPS issued during the year	-	-	1,168,377	11.68
Outstanding number of shares before considering the impact of sub division of preference shares	1,168,377	11.68		
Adjusted closing number of shares on account of sub-division of preference shares (Refer Note 18 (g))	11,683,770	11.68		
Outstanding at the end of the year	11,683,770	11.68	2,020,736	20.20

(b) Rights, Preferences and Restrictions attached to Equity Shares

Equity shares: The Company has equity shares having a par value of Re. 1 per share (previous year Rs.10/- per share). In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

Pursuant to the agreements, the Company had issued and allotted 2 equity shares having face value of Rs. 10 each at a premium of Rs. 990 per equity share to OMEGA TC Holdings PTE Limited and TATA Capital Financial Services Limited (collectively referred to as "PE Investors").

(c) Conversion of Series A CCPS:

During the year 2013-14, pursuant to the agreement with the Private Equity Investors, the Company had issued and allotted 29,999,980 number of 0.001% Series A CCPS having face value of Rs. 10 each at a premium of Rs. 90 per share. The said Series A CCPS are cumulative, mandatorily and fully convertible preference shares.

Prior to conversion of Series A CCPS:

(i) The said PE Investors are entitled to vote at each meeting of the holders of equity shares of the Company to the extent of 9% of the Equity Share Capital on a fully diluted basis. The remaining 91% voting rights are with other equity shareholders of the Company in proportion to the number of shares held by them.

(ii) The holders of each Series A CCPS are entitled to preferential dividend at the rate of 0.001% per year. The amount of dividend accrued on each Series A CCPS during a financial year is required to be distributed by the Company to the Investors by way of preferential dividend on April 1st of the subsequent financial year.

(iii) Series A CCPS were classified as compound financial instrument and were accounted based on the terms of the agreement, provisions of IND AS 109 and section 68 (2) (c) of the Companies Act, 2013. During previous year, Series A CCPS were converted into 1,846,915 equity shares of Rs.10/- each ranking pari passu with the existing equity shares of the Company as per the Amendment And Supplemental Agreement dated March 9, 2017 to original Share Subscription Agreement dated January 24, 2014 entered into between the Company, Promoters and PE investors and have been accounted for accordingly.

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(d) Bonus issue of Series B CCPS

During the year ended March 31, 2017, the Company issued and allotted 852,359 Series B CCPS of Rs.10/- each fully paid as bonus to eligible equity shareholders of the Company in the ratio of 61 fully paid Series B CCPS for every 688 equity shares of the Company held by them. The Series B CCPS are non-cumulative, non-participating preference shares, mandatorily and fully convertible into equity shares on occurrence of the trigger event. The holder of each Series B CCPS were entitled to preferential dividend at the rate of 0.0001% per year on the face value. The Series B CCPS did not have any entitlement to participate in any dividend distribution to the holders of Equity Shares. Under Ind AS, Series B CCPS were been classified as an equity instrument based on the terms of the agreement and trigger event, which is earlier of :
(i) the date on which the Equity Shares of the Company held by Varroc Polymers Private Limited (VPPL) stand extinguished pursuant to the Capital Reduction Scheme becoming effective after being duly approved by the National Company Law Tribunal; or
(ii) the date that the Company files a red herring prospectus with the SEBI for undertaking an IPO.
During the year ended March 31, 2018, the series B CCPS were been converted into equity shares pursuant to the approval of the Capital reduction scheme of VPPL by the NCLT (refer note f below). These shares were issued and allotted through a special resolution passed in the Board Meeting held on January 16, 2018.

(e) Bonus issue of series C CCPS

During the year ended March 31, 2017, the Company issued and allotted 1,168,377 Series C CCPS of Rs.10/- each fully paid as bonus to eligible equity shareholders of the Company in the ratio of 57 fully paid up Series C CCPS for every 469 equity shares of the Company held by them. The Series C CCPS are non-cumulative, participating preference shares, mandatorily and fully convertible into equity shares on occurrence of the trigger event. The holder of each Series C CCPS are entitled to preferential dividend at the rate of 0.0001% per year on the face value. The Series C CCPS are entitled to participate, on a pari passu basis with Equity Shares, in any dividend distribution to the holders of Equity Shares on an 'as if converted' basis. For the purpose of dividend distribution, the Series C CCPS prior to their conversion shall constitute 1.3% of the Equity Share Capital on a fully diluted basis. Under Ind AS, Series C CCPS have been classified as an equity instrument based on the terms of the agreement and trigger event, which is earlier of:
(i) the date on which the Company files a red herring prospectus with the SEBI for undertaking an IPO or
(ii) IPO Veto Date; or
(iii) the Conversion Deadline, as defined in the terms of the agreement. (each such event being the "Series C Trigger Event")."
Subsequent to the year end, in the Board Meeting held on May 31, 2018, these Series C CCPS were converted in the ratio of 1:1 into 11,683,770 equity shares of Re. 1 each, ranking pari-passu with the existing equity shares of the Company.

(f) Capital reduction

The Company pursuant to the provisions of Section 66 of the Companies Act, 2013 and the rules made thereunder had filed a petition for reduction of 852,349 equity shares of Rs. 10 each held by wholly owned subsidiary Varroc Polymers Private Limited (VPPL) without any consideration. This scheme was approved by the National Company Law Tribunal (NCLT) and was filed with the Registrar of Companies (ROC) on December 18, 2017. The ROC registered the order on January 15, 2018 and the Company took on record this transaction at the Board Meeting on January 16, 2018. Pursuant to this transaction, share capital of Rs. 8.52 million has been transferred to Capital Reserve as at March 31, 2018.

(g)

During the year, face value per Equity Share and Preference Share have been sub divided from Rs. 10 to Re. 1. Further authorised share capital of the Company was reclassified from Rs. 500 Million consisting of Rs. 165 Million (165,000,000 Equity Shares of Re.1/- each) and Rs. 335 Million (335,000,000 Preference Shares of Re.1/- each) to Rs. 250 Million (250,000,000 Equity Shares of Re.1/- each) and Rs. 250 Million (Consisting of 250,000,000 Preference Shares of Re.1/- each).

(h) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name of the Shareholder	As at March 31, 2018		As at March 31, 2017 (Restated)	
	Numbers of shares	% of shareholding	Numbers of shares	% of shareholding
	Face value Re. 1		Face value Rs. 10	
Equity Shares				
Mr. Tarang Jain	50,798,590	41.26%	3,529,025	30.79%
TJ Holdings Trust	33,850,000	27.49%	3,385,000	29.54%
Omega TC Holdings PTE LTD	16,917,130	13.74%	1,691,713	14.76%
Naresh Chandra Holdings Trust	10,000,000	8.12%	1,000,000	8.73%
Suman Jain Holdings Trust	10,000,000	8.12%	1,000,000	8.73%
Preference Shares				
Mr. Tarang Jain	11,683,770	100.00%	1,453,523	71.93%
Mr. Naresh Chandra	-	0.00%	324,504	16.06%
Mrs. Suman Jain	-	0.00%	242,709	12.01%

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		As at March 31, 2018	As at March 31, 2017 (Restated)
		No of Shares	No of Shares
(i)	Aggregate number of bonus shares issued during the five years immediately preceding March 31, 2018		
	0.0001% Series B CCPS and 0.0001% Series C CCPS issued and allotted as fully paid up bonus shares by capitalisation of profits from securities premium during the year ended March 31, 2017	-	2,020,736
	The Company during the preceding 5 years:		
	i. Has not allotted shares pursuant to contracts without payment received in cash.		
	ii. Has not issued shares by way of bonus shares except as mentioned above.		
	iii. Has not bought back any shares.		
19	**Reserves and surplus**		
	Retained earnings	9,639.98	5,135.42
	General reserve	4,194.73	3,747.14
	Debenture redemption reserve	325.00	200.00
	Capital redemption reserve	11.30	11.30
	Capital reserve	5,335.08	6,095.34
	Statutory reserves	410.80	365.50
	Securities premium reserve	6,190.08	6,128.66
		26,106.97	21,683.36
	Retained earnings		
	Balance at the beginning of the year	5,135.42	2,275.61
	Add:- Profit for the year	4,502.58	3,131.00
	Less:- Remeasurement of defined benefit obligation (net of tax)	(4.89)	(25.28)
	Less:- Dividend paid (including dividend distribution tax Rs 12.52 Million (March 31,2017 Rs. 8.87 Million))	(74.08)	(45.91)
	Add: On account of capital reduction (Refer note 18 f)	205.95	-
	Less:- Transfer to debenture redemption reserve (25% of face value)	(125.00)	(200.00)
	Balance at the end of the year	9,639.98	5,135.42
	General reserve		
	Balance at the beginning of the year	3,747.14	3,747.14
	Add: On account of capital reduction (Refer note 18 f)	447.59	
	Balance at the beginning and at end of the year	4,194.73	3,747.14
	Debenture redemption reserve		
	Balance at the beginning of the year	200.00	-
	Add:-Transfer from retained earnings	125.00	200.00
	Balance at the end of the year	325.00	200.00
	Capital Redemption Reserve		
	Balance at the beginning and at end of the year	11.30	11.30
	Capital Reserve		
	Balance at the beginning of the year	6,095.34	6,095.34
	Add: On account of capital reduction (Refer note 18 f)	(760.26)	-
	Balance at the end of the year	5,335.08	6,095.34
	Statutory reserves		
	Balance as at beginning of the year	365.50	365.50
	Add: On account of capital reduction (Refer note 18 f)	45.30	-
	Balance at the end of the year	410.80	365.50
	Securities premium reserve		
	Balance at the beginning of the year	6,128.66	3,013.44
	Add:- Conversion of 0.001% Series "A" CCPS into equity shares (Refer note 18)	-	3,135.43
	Less:- Issue of 0.0001% Series "B" CCPS and Series "C" CCPS (Refer note 18)	-	(20.21)
	Add: On account of capital reduction (Refer note 18 f)	61.42	
	Balance at the end of the year	6,190.08	6,128.66
	Total Reserves and surplus	26,106.97	21,683.36
	*Amount below rounding off norm adopted by the Group		

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		As at March 31, 2018	As at March 31, 2017 (Restated)
20	**Other reserves**		
	Foreign Currency Translation Reserve		
	Balance at the beginning of the year	44.52	880.81
	Add / (Less) : Exchange differences in translating the financial statements of foreign operations	1,996.01	(836.29)
	Balance at the end of the year	2,040.53	44.52
	Cash flow hedge reserve		
	Balance at the beginning of the year	(8.94)	(9.30)
	(Gain)/ Loss on changes in fair value of hedging instrument	12.02	(21.81)
	Income tax relating to gains/loss arising on changes in fair value	(4.20)	7.56
	Reclassification to Statement of Profit and Loss	(1.14)	14.61
	Balance at the end of the year	(2.26)	(8.94)
	Equity component of CCPS		
	Balance at the beginning of the year	-	885.66
	Transferred during the year	-	(885.66)
	Balance at the end of the year	-	-
	Total other reserve	2,038.27	35.58

Nature and purpose of other reserves

General reserve
General reserve are the retained earning of the group which are kept aside out of company's profit to meet future (known or unknown) obligation.

Debenture redemption reserve
The group is required to create a debenture redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

Securities premium reserve
Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provision of the Companies Act, 2013.

Cash flow hedge reserve
The group uses hedging instruments as part of its management of foreign currency risk and interest rate risk as described in the note 46. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve. Amounts recognized in the cash flow hedge reserve is reclassified to profit or loss when the hedged item affects profit or loss.

Capital Reserve
Capital reserve is not available for distribution as dividend.

Capital redemption reserve
Capital redemption reserve is not available for distribution as dividend.

Statutory reserves
Statutory reserves is created based on respective statutory requirements and hence is not available for distribution as dividend.

Foreign Currency Translation Reserve
Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

		As at March 31, 2018	As at March 31, 2017 (Restated)
21	Non current - Borrowings		
	Secured		
	Debentures		
	Non convertible debentures of Rs. 1,000,000 each	1,300.00	800.00
	Term loans		
	From banks		
	Rupee loans	414.17	466.04
	Foreign currency loans	3,907.55	4,765.32
	From financial institutions	296.99	727.51
	Finance lease obligations (Refer note 54)	122.93	153.19
	Buyers credit (capital nature)	145.35	400.70
	Unsecured		
	Deferred sales tax loan	174.47	239.95
	Total non current borrowing	6,361.46	7,552.71

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	As at March 31, 2018	As at March 31, 2017 (Restated)

Maturity profile of non current borrowings

Particulars	Effective Interest Rate	Current (refer note 28)	Non Current					Total of Non current
			2019-20	2020-21	2021-22	2022-23	2023-24 And Beyond	
Term Loans	1.10% to 11.00%	1,907.66	1,844.80	1,695.84	1,012.97	58.90	6.20	4,618.71
Debentures	8.0% to 8.1%	-	800.00	-	-	500.00	-	1,300.00
Buyers Credit	0.24% to 2.38%	157.34	94.55	50.80	-	-	-	145.35
Deferred Sales Tax Loan	-	65.48	57.07	44.44	33.29	20.44	19.23	174.47
		2,130.48	2,796.42	1,791.08	1,046.26	579.34	25.43	6,238.53

Nature of Security

Secured borrowings of entities based in India and Italy are secured by way of first charge on pari-passu basis on movable and immovable fixed assets of these entities, both present and future, subject to certain exclusions.

Secured borrowings of the Lighting division are secured by way of first charge on pari-passu basis on movable and immovable fixed assets and receivables of the lighting division, subject to certain exclusions.

The carrying amounts of financial and non financial assets pledged as security for current and non-current borrowings are disclosed in note no 53.

		As at March 31, 2018	As at March 31, 2017 (Restated)
22	**Non current - Other financial liabilities**		
	Security deposits	5.64	5.16
	Capital creditors	0.39	24.08
	Employee benefits payable	70.11	61.93
	Redemption liability related to non controlling interest (Ref Note 58)	46.67	-
	Total other Financial liabilities	122.81	91.17

		As at March 31, 2018	As at March 31, 2017 (Restated)
23	**Non current - Provisions**		
	Provision for employee benefits		
	Gratuity and other employee benefit obligations (refer note 42)	600.55	424.45
	Compensated absences	59.53	64.31
	Others		
	Provision for warranties*	293.05	119.81
	Others#	49.29	131.47
	Total non current provisions	1,002.42	740.04

	Warranties		Others	
	March 31, 2018	March 31, 2017 (Restated)	March 31, 2018	March 31, 2017 (Restated)
Balance as at the beginning of the year	342.42	247.48	290.64	194.43
Additions	364.76	290.94	60.22	208.99
Utilization/Reversed during the year	(232.35)	(178.04)	(292.71)	(128.70)
Unwinding of discount and effect of changes in discount rate	0.61	(0.12)	-	-
Foreign exchange translation difference	55.69	(17.84)	31.74	15.92
Balance as at the end of the year	531.13	342.42	89.89	290.64
Current Portion	238.08	222.61	40.60	159.17
Non Current Portion	293.05	119.81	49.29	131.47
Total	531.13	342.42	89.89	290.64

* Provision for warranties :- The Company provides warranties on applicable products, for their satisfactory performance during the warranty period as per the contracts with buyers. Provision for warranty claims arising out of such obligation is made based on such warranty period.

Other provision includes provision for coupon schemes and customer claims related to tooling contract .These claims are expected to be settled within 2-3 years. Management estimates these provision based on historical claim information and any recent trends. The impact of discounting of these provisions is not material.

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	As at March 31, 2018	As at March 31, 2017 (Restated)
24 Deferred tax liabilities / (asset) (net)		
24A Deferred tax liabilities (net)		
Deferred tax liabilities		
Depreciation and amortization	1,138.13	927.24
Revenue recognised under Percentage Of Completion method	22.30	-
Others	20.54	8.31
Goodwill (refer note 58)	77.45	-
	1,258.42	935.55
Deferred tax assets		
Expenses allowable on payment basis	51.51	48.01
Provision for doubtful debts and advances	7.68	29.32
Unabsorbed tax depreciation and losses	49.39	197.20
Provision for employee benefits	45.33	14.40
MAT Credit Entitlement	578.70	507.16
Others	16.94	9.42
	749.55	805.51
Total Deferred tax liabilities (net)	508.87	130.04
Total Deferred tax assets (net)	-	-
Movements in deferred tax liabilities		
Opening deferred tax liabilities	130.04	472.74
Recognised in the Statement of Profit and Loss		
Expenses allowable on payment basis	(7.70)	263.13
Provision for doubtful debts and advances	21.64	7.05
Unabsorbed tax depreciation and losses	147.81	(92.12)
Provision for employee benefits	(42.80)	97.38
Revenue recognised under Percentage Of Completion method	22.30	(295.38)
Investment Allowance	-	184.83
Depreciation and amortization	210.89	(429.57)
Others	75.89	70.28
Total	428.03	(194.40)
Exchange Differences	(71.06)	15.72
Charged to other comprehensive income		
Cash flow hedge reserve	4.20	(7.56)
Remeasurement of defined benefit obligation	11.87	(6.51)
	16.07	(14.07)
Increase of MAT credit	(71.54)	(149.95)
Deferred tax on account of business combination (refer note 58)	77.33	-
Total Deferred tax liabilities (net)	508.87	130.04
24B Deferred tax assets (net)		
Deferred tax assets		
Expenses allowable on payment basis	245.53	174.02
Provision for doubtful debts and advances	5.33	3.77
Unabsorbed tax depreciation and losses	119.92	223.54
Provision for employee benefits	189.16	50.71
Investment Allowance	1,006.29	242.16
MAT Credit Entitlement	6.76	4.30
Others	11.61	161.56
	1,584.60	860.06
Deferred tax liabilities		
Depreciation and amortization	453.63	523.86
Revenue recognised under Percentage Of Completion method	82.93	194.65
Others	18.04	11.34
	554.60	729.85
Total Deferred tax assets (net)	1,030.00	130.21
Movement in deferred tax assets		
Opening deferred tax assets	130.21	132.44
Recognised in the Statement of Profit and Loss		
Expenses allowable on payment basis	71.51	76.38
Provision for doubtful debts and advances	1.56	3.77
Unabsorbed tax depreciation and losses	(103.62)	185.11
Provision for employee benefits	138.45	50.71
Revenue recognised under Percentage Of Completion method	111.72	(194.65)
Investment Allowance	764.13	242.16
Depreciation and amortization	70.23	(523.86)
Others	(156.76)	156.65
Total	897.22	(3.73)
Exchange Differences	0.11	5.80
Increase of MAT credit	2.46	(4.30)
Closing deferred tax assets	1,030.00	130.21

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				As at March 31, 2018	As at March 31, 2017 (Restated)
25 Other non current liabilities					
Advance received from customer				17.87	20.40
Deferred government grant				292.46	62.77
Total other non current liabilities				310.33	83.17
26 Current borrowings	Maturity Date	Terms of Repayment	Interest rate		
Secured					
Cash Credit	Various	Various	1.1% to 12.35%	148.73	447.06
Working capital facilities					
Foreign Currency & Working Capital Demand Loan (WCDL)	Various	Various	1.75%	728.49	3,739.46
Factored Receivables (Refer note 13)	Various	Various	1.5% to 6%	359.48	245.75
Buyer's credit (other than capital)	Various	Various	1.91%	-	36.91
Unsecured					
Working capital facilities					
Factored Receivables (Refer note 13)	Various	Various	8.30%	1,514.80	-
Pre-shipment credit in foreign currency (PCFC)	Various	Various	5.15%	47.77	-
From financial institutions	Various	Various	8.45%	640.00	431.58
Commercial Papers	Various	Various	6.75%	-	1,084.28
From related parties (Refer note 49)				-	6.86
Total current borrowings				3,439.27	5,991.90

Working capital facilities availed from banks, are secured by pari-passu charge by way of hypothecation of stocks of raw materials, work in process, finished goods, consumables, stores and spares, packing materials, receivables and mortgage of certain land and buildings of the group.
The carrying amounts of financial and non financial assets pledged as security for current and non-current borrowings are disclosed in note no 53

Net Debt Reconciliation	March 31,2018	March 31,2017
Cash and Cash equivalents (refer note 14 (a)	3,117.05	3,053.21
Liquid Investments	30.32	-
Current borrowings	(3,290.54)	(5,544.84)
Non-current borrowings (includes current maturities of non-current borrowings (refer note 21 and 28)	(8,550.91)	(9,138.54)
Interest accrued but not due (refer note 28)	(52.26)	(49.74)
Net debt	(8,746.34)	(11,679.91)

Reconciliation of Net Debt

Particulars	As on April 1, 2017	Cashflows	Interest Expenses	Interest Paid	Cash flow hedge Reserve	Translation Difference	Gain on sale of investments	As on March 31, 2018
Non-current borrowings	9,138.54	(1,318.07)				730.44		8,550.91
Liquid Investment	-	27.62					2.70	30.32
Current borrowings	5,544.84	(2,980.43)			1.14	724.99		3,290.54
Cash and cash equivalent	3,053.21	(496.20)				560.04		3,117.05
Interest accrued but not due	49.74		861.70	859.18				52.26

27 Trade payables		
Total outstanding dues of micro enterprises and small enterprises (refer note 41)	27.22	25.59
Total outstanding dues other than micro enterprises and small enterprises		
Trade payables to Related Parties (refer note 49)	31.52	35.32
Others	19,735.05	15,001.11
Total trade payables	19,793.79	15,062.02
28 Current - Other financial liabilities		
Current maturities of non-current borrowings (refer note 21)	2,130.48	1,537.82
Finance lease obligations (refer note 54)	58.97	48.01
Interest accrued but not due on borrowings	52.26	49.74
Capital creditors	1,468.21	1,331.08
Customer security deposits	36.75	29.51
Employee benefits payable	1,712.25	1,510.57
Derivative liabilities pending settlement	48.80	60.59
Redemption liability related to non controlling interest	143.84	123.39
Others	1.50	0.80
Total other financial liabilities	5,653.06	4,691.51
29 Current - Provisions		
Provision for Employee benefits		
Gratuity and other employee benefit obligation (refer note 42)	28.36	48.75
Compensated absences	9.13	47.50
Others		
Provision for warranties (refer note 23)	238.08	222.61
Management and Performance Bonus	132.31	119.29
Others (refere note 23)	40.60	159.17
Total current provision	448.48	597.32
30 Other current liabilities		
Advance received from customers	1,337.10	546.17
Deferred government grant	46.98	70.49
Statutory Dues Payable	559.21	307.50
Other payables	160.75	70.60
Total Other current liabilities	2,104.04	994.76

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		For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
31	**Revenue from operations**		
	Sale of products *		
	Finished goods	95,029.92	87,676.97
	Traded goods	1,115.98	1,145.65
	Sale of engineering services	1,650.58	1,717.40
	Other operating revenue		
	Tooling revenue	4,383.05	4,361.39
	Wind and solar power generation	106.30	119.57
	Prototype sale	722.65	496.40
	Job work receipts	157.05	88.72
	Scrap sales	340.56	250.24
	Export Incentives	82.65	45.33
	Royalty	152.67	110.89
	Others	43.16	72.84
	Total revenue from operations	**103,784.57**	**96,085.40**
	* Note: Revenue from Operations for the year ended March 31, 2017 includes excise duty, which is discontinued w.e.f. July 1, 2017 upon implementation of Goods and Services Tax (GST) in India. In accordance with Ind AS 18, Revenue, GST is not included in Revenue from Operations. In view of the aforesaid restructuring of indirect taxes, Revenue from Operations for the year ended March 31, 2018 is not comparable with the previous year.		
	Revenue from operation net of Excise Duty	**102,788.31**	**92,987.88**
32	**Other income**		
	Rent Income		
	- from Investment properties	32.50	31.89
	- from Others	9.56	8.79
	Dividend Income from equity investments carried at cost	0.02	-
	Dividend Income from investments mandatorily measured at fair value through profit or loss	0.01	-
	Interest Income		
	- from financial assets measured at amortised cost	2.62	4.12
	- Others	8.52	10.91
	Unwinding of discount on security deposit	1.49	0.50
	Net gain on sale of investments (Refer note below)	2.70	59.41
	Government grants	151.21	117.31
	Net foreign exchange gain	-	537.80
	Liabilities no longer required written back	-	13.65
	Miscellaneous income	177.47	152.91
	Total Other income	**386.10**	**937.29**
	Note: During the previous year, the Group sold 484,500 equity shares held in Varroc Elastomers Private Limited for a total consideration of Rs. 115.8 million.		
33	**Cost of materials consumed**		
	Raw material at the beginning of the year	3,860.99	3,488.42
	Add:- On account of business acquisition (refer note 58)	26.49	-
	Add: Purchases	63,940.98	60,103.77
		67,828.46	**63,592.19**
	Less: Raw material at the end of the year	4,625.24	3,860.99
	Total cost of materials consumed	**63,203.22**	**59,731.20**
34	**Changes in inventories of work-in-progress, stock-in-trade and finished goods**		
	Opening balance		
	Work-in-progress	1,795.04	1,536.55
	Finished goods	1,174.07	1,063.42
	Stock-in-trade	83.00	100.54
	Total opening balance	**3,052.11**	**2,700.51**
	Add:- On account of business acquisition (refer note 58)	**3.45**	-
	Closing balance		
	Work-in-progress	1,957.75	1,795.04
	Finished goods	1,374.00	1,174.07
	Stock-in-trade	24.12	83.00
	Total closing balance	**3,355.87**	**3,052.11**
	Total changes in inventories of work-in-progress, stock-in-trade and finished goods	**(300.31)**	**(351.60)**

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(Rs. in Million)

	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
35 Employee benefit expense		
Salaries, wages and bonus	10,374.59	9,656.98
Contribution to Gratuity and other funds (Refer Note 42)	939.66	838.68
Staff welfare expenses	1,820.92	1,541.84
Total employee benefit expense	**13,135.17**	**12,037.50**
36 Depreciation and amortisation expense		
Depreciation of property, plant and equipment	3,245.25	2,818.80
Depreciation on Investment properties	5.79	5.79
Amortisation of intangible assets	613.61	546.24
Total depreciation and amortisation expenses	**3,864.65**	**3,370.83**
37 Other expenses		
Consumption of stores and spares and loose tools	1,274.53	1,200.61
Consumption of packing materials	1,196.39	1,033.08
Repairs to		
Buildings	198.09	240.98
Machinery	761.72	767.52
Others	412.78	433.83
Telephone and communication expenses	130.99	130.55
Water and electricity charges	2,111.36	1,931.16
Rental charges {refer note 50 (b)}	338.33	271.73
Rates and taxes	183.46	134.98
Contract labour cost	3,727.12	2,838.85
Legal and professional fees	383.51	652.76
Net foreign exchange loss	253.90	-
Net loss on sale of property, plant & equipment	1.35	5.77
Travelling and conveyance	711.38	555.34
Insurance	146.14	138.44
Corporate social responsibility expenditure	31.65	25.50
Provision for doubtful loans, advances and debts (Net)	61.38	44.89
Sales promotion, marketing and advertisement cost	99.77	101.76
Research and development expenses	1,122.01	402.37
Freight and forwarding expenses	2,241.61	1,865.88
Warranties	364.76	291.38
Testing and Engineering services	54.70	230.75
IT related cost	801.70	757.83
Miscellaneous expenses	441.99	709.35
Total other expenses	**17,050.62**	**14,765.31**

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(Rs. in Million)

		For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
38	**Finance costs (other than imputed interest and changes in cash flow estimates on liability portion of CCPS)**		
	Interest and finance charges on financial liabilities not at fair value through profit or loss	722.28	760.71
	Exchange differences regarded as an adjustment to borrowing costs	24.44	(11.84)
	Other borrowing costs	114.98	113.49
	Total finance costs	**861.70**	**862.36**

39 The Group prepares Consolidated Financial Statements at each year end by translating its foreign operations in accordance with IND AS 21 - "The Effects of Changes in Foreign Exchange Rates".

The Group, while preparing current period financial statements, has identified an inadvertent error in translation of one of its foreign subsidiary's operations for FY 2016-17.

In accordance with IND AS 8 Accounting Policies, Changes in Accounting, Estimates and Errors, the Company has corrected the above error by restating the comparative financial information for the year ended March 31, 2017.

Financial Statements (extract)	March 31, 2017	Increase / (Decrease)	March 31, 2017 (Restated)
Balance with Government Authorities	506.41	321.99	828.40
Trade Payables	15,002.40	59.62	15,062.02
Net Foreign Exchange Gain	265.13	272.67	537.80
Foreign Currency Translation Reserve	54.90	(10.38)	44.52

		For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
40	**Income tax expense**		
	(a) Income tax expense		
	Current tax		
	Current tax on profits for the year	1,161.10	473.42
	Total current tax expense	**1,161.10**	**473.42**
	Deferred tax		
	Decrease / (increase) in deferred tax assets	(899.68)	(141.92)
	(Decrease) / increase in deferred tax liabilities	356.49	(194.40)
	Total deferred tax expense/(benefit)	**(543.19)**	**(336.32)**
	Income tax expense	**617.91**	**137.10**
	Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:		
	Profit before tax & share of net profits of investments accounted for using equity method	4,435.41	2,480.05
	Tax at the Indian tax rate of 34.608% (March 31, 2017— 34.608%)	1,535.01	858.29
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Weighted deduction on research and development expenditure	(101.24)	(70.03)
	Investment Allowance	(657.60)	(389.30)
	Non taxable income	(45.54)	(149.19)
	Non deductible expenses	310.13	280.33
	Current tax expense of prior periods	-	(99.40)
	Imputed interest and changes in cash flow estimates on liability portion of CCPS	-	14.40
	Previously unrecognised tax losses used to reduce deferred tax expenses (Refer note below)	(335.72)	-
	Other items	143.99	(68.65)
	Difference in overseas tax rates	(231.11)	(239.35)
		617.91	**137.10**

Following a significant improvement in business performance at one of the subsidiaries, the group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utlised. As a consequence, a deferred tax asset of INR 335.72 Million was recognised during current year.

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Note 41 : Dues to micro and small enterprises

The Group has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act are as follows:

(Rs. in Million)

		March 31, 2018	March 31, 2017 (Restated)
a)	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	17.97	17.18
b)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.02	*
c)	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	77.96	255.13
d)	Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
e)	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
f)	Interest due and payable towards suppliers registered under MSMED Act, for payments already made	0.84	0.57
g)	Further interest remaining due and payable for earlier years	8.39	7.84

* Amount below rounding off norm adopted by the group

Note 42 - Employee benefit obligation

Indian Entities

A Defined contribution plans: **(Rs. In Million)**

The Group has certain defined contribution plans. Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the year towards defined contribution plan is as under:

	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
(I) Contribution to Employees' provident fund	78.67	76.91
(II) Contribution to Employees' family pension fund	62.14	58.03
Total	**140.81**	**134.94**

B Gratuity

The Group provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary plus Dearness Allowance per month computed proportionately for 15 days salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognised funds in India. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

Particulars	**As at** March 31, 2018	**As at** March 31, 2017 (Restated)
(a) Change in present value of benefit obligations		
Liability at the beginning of the year	297.28	243.86
Service cost	60.81	40.63
Interest expense	20.34	18.37
Remeasurements - Actuarial (gains)/ losses (refer note (e) below)	(27.83)	22.08
Benefits paid	(29.74)	(27.66)
Liability at the end of the year	**320.86**	**297.28**
(b) Change in fair value of plan assets		
Fair value of plan assets at the beginning of the year	262.72	217.73
Interest income	19.90	18.65
Remeasurements- Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	0.23	(0.66)
Contributions	57.07	55.87
Mortality Charges and Taxes	(2.98)	(1.21)
Benefits paid	(29.75)	(27.66)
Fair value of plan assets at the end of the year	**307.19**	**262.72**

(c) The net liability disclosed above relates to funded plan is as follows:

Particulars	**As at March 31, 2018**	**As at March 31, 2017 (Restated)**
Present value of funded obligations	320.86	297.28
Fair value of plan assets	307.19	262.72
Deficit of funded plan	**13.67**	**34.56**

Note 42 - Employee benefit obligation

(d) Expenses to be recognized in the Statement of Profit and Loss under employee benefit expenses.

(Rs. in Million)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Service cost	60.81	40.63
Net interest (income)/expense	0.44	(0.28)
Net gratuity cost	**61.25**	**40.35**

(e) Expenses to be recognized in statement of other comprehensive income:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Remeasurment		
Experience (Gain)/ Losses on plan liabilities	(6.22)	3.16
Financial (Gain)/ Losses on plan liabilities	(21.61)	1.27
(Return) / loss on plan assets excluding amounts recognised in interest (income)/expenses	-	0.37
Experience (Gain)/ Losses on plan assets	(2.45)	0.18
(Gain)/loss from change in financial assumptions	-	17.76
Financial(Gain)/ Losses on plan assets	2.22	-
	(28.06)	**22.74**

(f) Valuation in respect of gratuity has been carried out by independent actuary, as at the balance sheet date, based on the following assumptions:

Particulars	As at March 31, 2018	As at March 31, 2017 (Restated)
Discount rate	7.90%	7.20%
Salary growth rate	7.00%	7.00%
Weighted average duration of defined benefit obligation	11.81	12.15

As per actuary report, the group assesses these assumptions with its projected long term plans of growth and prevalent industry standards. The discount rate is based on government bonds.

Overseas Entities

C Pension Plans

The group operates defined benefit pension plans in Mexico, Germany and Italy under broadly similar regulatory frameworks. All of the plans are salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members length of services and their salary in the final years leading up to retirement.

The group funds the liability as per legal requirements of respective countries. Plan assets are governed by local regulations and practice in each country, as is the nature of the relationship between the group and the trustees (or equivalent) and their composition.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

Particulars	March 31, 2018	March 31, 2017 (Restated)
(a) Change in present value of benefit obligations		
Liability at the beginning of the year	845.04	903.34
Service cost	63.05	62.56
Interest expense	31.35	28.82
Remeasurements - Actuarial (gains)/ losses (refer note (e) below)	15.86	0.19
Benefits paid	(18.55)	(71.37)
Effect of Foreign exchange rate	117.56	(78.50)
Liability at the end of the year	**1,054.31**	**845.04**

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Note 42 - Employee benefit obligation

(b) Change in fair value of plan assets

		(Rs. in Million)
Fair value of plan assets at the beginning of the year	395.08	432.62
Interest income	12.02	12.40
Transfer of assets	-	-
Remeasurements- Return on plan assets excluding amounts recognised in interest income	(6.96)	(3.81)
Contributions	59.52	53.54
Benefits paid	(12.03)	(63.57)
Effect of Foreign exchange rate	64.04	(36.10)
Fair value of plan assets at the end of the year	511.67	395.08

(c) **The net liability disclosed above relates to funded plan is as follows:**

Particulars	As at March 31, 2018	As at March 31, 2017 (Restated)
Present value of funded obligations	1,054.31	845.04
Fair value of plan assets	511.67	395.08
Deficit of funded plan	542.64	449.96

(d) **Expenses to be recognized in the Statement of Profit and Loss under employee benefit expenses.**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Service cost	63.05	62.56
Net interest (income)/expense	19.33	16.42
Net gratuity cost	82.38	78.98

(e) **Expenses to be recognized in statement of other comprehensive income:**

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Remeasurment		
Experience (Gain)/ Losses on plan liabilities	12.26	9.29
Financial (Gain)/ Losses on plan liabilities	(8.11)	12.31
(Return) / loss on plan assets excluding amounts recognised in interest (income)/expenses	6.46	2.74
(Gain)/loss from change in demographic assumptions	-	(12.70)
Experience (Gain)/ Losses on plan assets	0.50	1.05
(Gain)/loss from change in financial assumptions	11.71	(2.97)
	22.82	9.72

(f) **Valuation in respect of above pension plan has been carried out by independent actuary, as at the balance sheet date, based on the following assumptions:**

Particulars	March 31, 2018	March 31, 2017 (Restated)
Discount rate	1.8% to 8%	2% to 7.2%
Salary growth rate	1% to 10.5%	2.75% to 7%
Weighted average duration of defined benefit obligation	7.56 to 20	12.15 to 22.07

The group assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The discount rate is based on the high-quality corporate bonds.

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Note 42 - Employee benefit obligation

Quantitative sensitivity analysis for significant assumptions are as follows:

Change in Assumption	March 31, 2018	March 31, 2017 (Restated)
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	11.48%	11.77%
(ii) 1% decrease in discount rate	12.65%	14.20%
(iii) 1% increase in rate of salary escalation	12.26%	11.98%
(iv) 1% decreasing rate of salary escalation	10.64%	10.43%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 1%, keeping all other actuarial assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method(present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting year) has been applied while calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

Maturity profile of defined benefit obligation:

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017 (Restated)
Within 1 year	31.20	25.49
1-2 year	31.35	28.04
2-3 year	45.58	31.36
3-4 year	56.33	48.38
4-5 year	69.69	53.16
5-10 years	546.42	455.49

RISK EXPOSURE AND ASSET LIABILITY MATCHING

Provision of a defined benefit scheme poses certain risks, some of which are detailed here under as companies take on uncertain long-term obligations to make future benefit payments.

1) **Liability Risks**

Asset-Liability Mismatch Risk-

Risk which arises if there is a mismatch in the duration of the assets relative to the liabilities. By matching duration with the defined benefit liabilities, the company is successfully able to neutralize valuation swings caused by interest rate movements. Hence companies are encouraged to adopt asset-liability management.

Discount Rate Risk-

Variations in the discount rate used to compute the present value of the liabilities may seem small, but in practice can have a significant impact on the defined benefit liabilities.

Future Salary Escalation and Inflation Risk -

Since price inflation and salary growth are linked economically, they are combined for disclosure purposes. Rising salaries will often resulting higher future defined benefit payments resulting in a higher present value of liabilities especially unexpected salary increases provided at management's discretion may lead to uncertainties in estimating this increasing risk.

2) **Asset Risks**

All plan assets related to Indian entities are maintained in a trust fund managed by a public sector insurer viz; LIC of India. LIC has a sovereign guarantee and has been providing consistent and competitive returns over the years.

For overseas entities, the group has opted for a traditional fund wherein all assets are invested primarily in risk averse markets. The group has no control over the management of funds but this option provides a high level of safety for the total corpus. A single account is maintained for both the investment and claim settlement and hence 100% liquidity is ensured. Also interest rate and inflation risk are taken care of.

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Note 43 : Fair Value Measurement
Financial instruments by category

(Rs. in Million)

	March 31, 2018			March 31, 2017 (Restated)		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	0.14	-	-	0.14	-	-
- Mutual funds	30.32	-	-	-	-	-
- Government securities	-	-	0.06	-	-	0.06
Loans	-	-	146.88	-	-	124.88
Trade receivables	-	-	14,027.34	-	-	11,382.85
Cash and bank balances	-	-	3,427.70	-	-	3,678.70
Derivative contracts	38.25	-	-	39.17	-	-
Unbilled receivables	-	-	2,567.77	-	-	3,586.57
Other financial assets	-	-	184.69	-	-	7.80
Total financial assets	68.71	-	20,354.44	39.31	-	18,780.86
Financial liabilities						
Borrowings	-	-	11,990.18	-	-	15,130.44
Derivative liabilities pending settlement	-	48.80	-	-	60.59	-
Security deposits	-	-	42.39	-	-	34.67
Trade payables	-	-	19,793.79	-	-	15,062.02
Acceptances	-	-	210.34	-	-	434.92
Capital Creditors	-	-	1,468.60	-	-	1,355.16
Employee benefits payable	-	-	1,782.36	-	-	1,572.50
Other financial liabilities	-	-	244.27	-	-	173.93
Total financial liabilities	-	48.80	35,531.93	-	60.59	33,763.64

(i) **Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

(Rs. in Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements at March 31, 2018	Level 1	Level 2	Level 3	Total
Financial Assets				
Equity instruments	-	0.14	-	0.14
Debt Instruments	-	-	-	-
Derivative contracts	-	38.25	-	38.25
Investments - Mutual funds	30.32	-	-	30.32
Total financial assets	**30.32**	**38.39**	-	**68.71**
Financial Liabilities				
Derivative liabilities pending settlement	-	48.80	-	48.80
Total financial liabilities	-	**48.80**	-	**48.80**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2018	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments- Government securities	0.06	-	-	0.06
Total financial assets	**0.06**	-	-	**0.06**

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Note 43 : Fair Value Measurement
Financial instruments by category

(Rs. in Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements At March 31, 2017 (Restated)	Level 1	Level 2	Level 3	Total
Financial Assets				
Equity Instruments	-	0.14	-	0.14
Derivative contracts	-	39.17	-	39.17
Total financial assets	-	**39.31**	-	**39.31**
Financial Liabilities				-
Derivative liabilities pending settlement	-	60.59	-	60.59
Total financial liabilities	-	**60.59**	-	**60.59**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2017 (Restated)	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments- Government securities	0.06	-	-	0.06
Total financial assets	**0.06**	-	-	**0.06**

Commentary

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price. The mutual funds are valued using the closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) **Valuation technique used to determine fair value**

The following methods and assumptions were used to estimate the fair value of the level 2 financial instruments included in the above tables:

- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- the fair value of forward foreign exchange contracts and principal swap is determined using forward exchange rates at the balance sheet date.
- the fair value of foreign currency option contracts is determined using the Black Scholes valuation model.

Commentary

The carrying amounts of trade receivables, loans, trade payables, cash and cash equivalents, security deposits, other financial assets, borrowings, other financial liabilities, acceptances are considered to be the same as their fair values, due to their short-term nature. The fair value of non-current financial assets and non-current liabilities also approximates its carrying value.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

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Note 44 : Financial risk management

The group activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the group is foreign exchange risk. The group uses derivative financial instruments - foreign currency forward contracts to mitigate foreign exchange related risk exposures. The group exposure to credit risk, excluding receivables from related parties, is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The demographics of the customer including the default risk of the industry and country in which the customer operates also has an influence on credit risk assessment.

A] Market Risk

a] Foreign currency risk

The group operates internationally and portion of the business is transacted in several currencies and consequently the group is exposed to foreign exchange risk through its sale and purchase of goods and services in the North America and Europe and elsewhere, and borrowings in various foreign currencies. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the group operations are affected positively/adversely as the rupee appreciates /depreciates against these currencies. The group evaluates exchange rate exposure arising from these transactions and enters into foreign exchange forward contracts, interest and principle swaps and options to mitigate the risk of changes in exchange rates on foreign currency exposures. The group follows established risk management policies, to hedge forecasted cash flows denominated in foreign currency. The group has designated certain derivative instruments as cash flow hedges to mitigate the foreign exchange exposure of forecasted highly probable cash flows.

aa The group exposure to foreign currency risk as of March 31, 2018 expressed in INR, is as follows: **(Rs. in Million)**

	March 31, 2018				
	USD	EURO	JPY	Other currencies INR Value	Total
Financial assets					
Trade receivables	426.91	4,142.21	-	36.40	4,605.52
Other assets	161.07	5,460.42	9.27	20.30	5,651.06
Financial liabilities					
Borrowings	1,169.24	5,865.17	112.81	-	7,147.22
Trade payables	585.66	9,512.02	61.31	629.79	10,788.78
Other liabilities	28.43	1,107.61	-	220.52	1,356.56
Net assets / (liabilities)	**(1,195.35)**	**(6,882.17)**	**(164.85)**	**(793.61)**	**(9,035.98)**

ab The group exposure to foreign currency risk as of March 31, 2017 (Restated) expressed in INR, is as follows: **(Rs. in Million)**

	March 31, 2017 (Restated)				
	USD	EURO	JPY	Other currencies INR Value	Total
Financial assets					
Trade receivables	472.08	2,522.93	0.37	0.14	2,995.52
Interest receivable	-	67.25	-	-	67.25
Other assets	74.02	3,864.74	4.04	1.10	3,943.90
Financial liabilities					
Borrowings	1,440.85	5,727.93	134.51	-	7,303.29
Trade payables	287.07	4,389.66	37.38	102.41	4,816.52
Other liabilities	186.34	1,170.76	40.32	271.67	1,669.09
Net assets / (liabilities)	**(1,368.16)**	**(4,833.43)**	**(207.80)**	**(372.84)**	**(6,782.23)**

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ac Sensitivity

For the year ended March 31, 2018 and March 31, 2017, every percentage point appreciation/depreciation in the exchange rate between the Indian rupee and U.S. Dollar has affected the Group's incremental operating margins by approximately Rs. 11.95 Million and Rs. 13.68 Million respectively, and Euro by approximately Rs. 68.82 Million and Rs. 48.33 Million, respectively.
Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Interest rate risk

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

Interest rate sensitivity

The sensitivity analysis below have been determined based on exposure to interest rate. For floating rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. With all other variables held constant, the group profit before tax is affected through the impact on floating rate borrowings, as follows:

(Rs. in Million)

For the year ended	Currency	Increase/ decrease in basis points	Effect on profit before tax	Variable rate Cash Credit and Term loans balances
March 31, 2018	INR	+100	(61.52)	6,152.09
March 31, 2018	INR	-100	61.52	6,152.09
March 31, 2017	INR	+100	(108.20)	10,818.90
March 31, 2017	INR	-100	108.20	10,818.90

B] Credit Risk Management

Credit risk arises when a customer or counterparty does not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing/ investing activities, including deposits with banks. The group has 7 to 11 major clients which represents 71.2% receivables as on 31st March, 2018. The company is receiving payments from these parties within due dates. Hence, the group has no significant credit risk related to these parties.

Trade receivables

Customer credit risk is managed by the group established policy, procedures and control relating to customer credit risk management.
Further, group customers includes marquee OEMs and Tier I companies, having long standing relationship with the group. Outstanding customer receivables are regularly monitored and reconciled. As at March 31, 2018, receivable from the Group's top 11 (March 31, 2017 7) customers accounted for approximately 71.2%, (March 31, 2017: 80%) of all the receivables outstanding. An impairment analysis is performed at each reporting date on an individual basis based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in Note 13. The group does not hold collateral as security. The group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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Note 44 Financial risk management

C] Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The Group's corporate treasury department is responsible for liquidity and funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows. As of March 31, 2018, cash and cash equivalents are held with major banks.

Maturities of financial liabilities

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

(Rs. in Million)

March 31, 2018	On demand	< 1 year	1 to 5 years	> 5 years
Non- derivative				
Borrowings	148.73	5,479.99	6,361.46	-
Contractual Obligation Of Interest	-	322.49	418.21	0.09
Trade Payables	-	19,793.79	-	-
Acceptances	-	210.34	-	-
Other financial liabilities	36.75	3,378.06	123.17	-
Derivative liabilities pending settlement	-	48.80	-	-

March 31, 2017 (Restated)	On demand	< 1 year	1 to 5 years	> 5 years
Non- derivative				
Borrowings	447.06	7,130.67	7,552.71	-
Trade Payables	-	15,062.02	-	-
Acceptances	-	434.92	-	-
Other financial liabilities	29.51	3,015.58	92.01	-
Derivative liabilities pending settlement	-	60.59	-	-

- The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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Note 45 - Capital Management

(a) Risk management

The group's capital comprises equity share capital, preference share capital, security premium, retained earnings and other equity attributable to shareholders.

The group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares .

The group monitors capital gearing ratio, which is net debt divided by total capital. Net debt comprises of long term and short term borrowings less cash and cash equivalents and other bank balances, equity includes equity share capital, preference share capital and reserves that are managed as capital. The gearing at the end of the reporting period was as follows.

The group's strategy is to maintain a gearing ratio of 1:1

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017 (Restated)
Net debt	8,700.81	11,589.90
Total Equity	28,280.05	21,853.75
Net debt to equity ratio	0.31	0.53

*Total equity does not include share of non controlling interest.

No changes were made in the objectives, policies or processes for managing capital of the company during the year.

(i)Loan covenant

The group capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There are no financial covenants of any interest-bearing loans and borrowing which are based on the Group's consolidated financials.

(b) Dividends	**March 31, 2018** (Rs. in Million)	**March 31, 2017 (Restated)** (Rs. in Million)
(i) Equity Shares		
Interim dividend for the year ended March 31, 2018 of Rs. 0.50 per fully paid share of Re.1 each (March 31, 2017 of Rs. 3.5 per fully paid share of Rs. 10 each) (Refer note 18 (g))	61.56	37.04
(ii) Dividend Distribution tax	12.52	8.87

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Note 46: Impact of hedging activities

(a) Disclosure of effects of hedge accounting on financial position

March 31, 2018

(Rs. in Million)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principle and interest rate swaps		473.75		42.10	June 4, 2018 - March 4, 2021	1:1	Rs.68.75	10.01	-10.01
Principle and interest rate swaps		146.71		6.49	August 18, 2018 - May 20, 2021	1:1	Rs.66.60	2.01	-2.01

March 31, 2017 (Restated)

(Rs. in Million)

Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Hedge ratio	Weighted average strike price/rate	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness
	Assets	Liabilities	Assets	Liabilities					
Cash flow hedge									
Principle and interest rate swaps		472.87		52.11	June 4, 2018 - March 4, 2021	1:1	Rs. 68.75	(13.31)	13.31
Principle and interest rate swaps		146.40		8.50	August 18, 2018 - May 20, 2021	1:1	Rs. 66.60	(8.50)	8.50

Movement in cash flow hedging reserve

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017 (Restated)
Cash flow hedge		
Balance at the beginning of the period/year	(8.94)	(9.30)
Gain/Loss on changes in fair value of hedging instrument	12.02	(21.81)
Income tax relating to gains/loss reclassified to profit and loss	(4.20)	7.56
Reclassification to Statement of Profit and Loss	(1.14)	14.61
Balance at the end of the period/year	(2.26)	(8.94)

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Note 47: Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), which is the Board of Directors.
The group has disclosed business segment as the primary segment. The automotive segment consists of the business of automobile products consisting of auto parts for two-wheelers, three-wheelers and four-wheelers and related design, development and engineering activities and other services. Others primarily includes forging components for off road vehicles and components for mining and oil drilling industry.

(a) Primary segment: Business segments (Rs. In Million)

Sr. No	Particulars	For the year ended March 31, 2018			For the year ended March 31, 2017 (Restated)		
		Automotive	Others	Total	Automotive	Others	Total
	Segment revenue						
1	Revenue from operations (external)	101,034.49	2,750.08	103,784.57	94,274.50	1,810.90	96,085.40
	Total revenue	101,034.49	2,750.08	103,784.57	94,274.50	1,810.90	96,085.40
2	Segment results before other income, finance cost and tax	5,072.17	92.74	5,164.91	2,527.88	(81.16)	2,446.72
3(i)	Other income (Net of unallocated expense)			132.20			937.29
3(ii)	Finance costs			861.70			903.96
	Profit before tax and exceptional item			4,435.41			2,480.05
3(iii)	Exceptional items			-			-
3(iv)	Share of net profit of associates and joint ventures accounted for using the equity method			690.27			791.88
4	Profit before tax			5,125.68			3,271.93
5	Tax expenses including deferred tax			617.91			137.10
6	Profit after tax but before non controlling interest			4,507.77			3,134.83
7	Non controlling interest			5.19			3.83
8	Profit after tax			4,502.58			3,131.00
		As at March 31, 2018			As at March 31, 2017 (Restated)		
9	Segment assets	60,211.73	2,606.24	62,817.97	52,931.18	2,015.80	54,946.98
	Unallocable assets			5,705.95			3,656.81
	Total Assets			68,523.92			58,603.79
10	Segment liabilities	26,299.28	979.28	27,278.56	20,553.50	692.09	21,245.59
	Unallocated segment liablities			12,757.65			15,302.87
	Total Liabilities			40,036.21			36,548.46
11	Other Information						
	Cost to acquire fixed assets (including on acquisition of business)			6,397.62			6,716.58
	Depreciation and amortization			3,864.65			3,370.83

(b) Secondary Segment - Geographical segments

Segment revenue by geographical area based on geographical location of customers:

Sr. No	Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
	Revenue within :		
1	India	36,024.48	31,434.32
2	Asia Pacific	726.72	577.37
3	Europe	43,426.47	35,132.60
4	North America	23,102.16	28,477.88
5	Others	504.74	463.23
	Total	103,784.57	96,085.40

Carrying amount of segment assets

Sr. No	Particulars	As at March 31, 2018	As at March 31, 2017 (Restated)
1	India	24,996.08	21,822.83
2	Asia Pacific	597.70	351.31
3	Europe	26,615.88	14,608.96
4	North America	10,193.39	18,055.70
5	Others	414.92	108.18
	Total	62,817.97	54,946.98

Considering its long-term strategy and internal reporting, the Group now considers the United States of America, Canada and Mexico as one geographical component viz., North America. The Group has accordingly restated the segment information for the earlier years.

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Note 48 - Interests in Subsidiaries

(a) Subsidiaries

The subsidiaries at March 31, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the company, and the proportion of ownership interests held equals the voting rights held by the company. The country of incorporation or registration is also their principal place of business.

(Rs. in Million)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31-Mar-18	31-Mar-17	31-Mar-18	31-Mar-17
Direct subsidiaries					
Varroc Polymers Private Limited	India	100%	100%	-	-
Durovalves India Private Limited	India	72.78%	72.78%	27.22%	27.22%
Varroc Lighting Systems (India) Private Limited	India	100%	100%	-	-
Varroc European Holding B.V.	Netherlands	100%	100%	-	-
Aries Mentor Holding B.V.	Netherlands	100%	100%	-	-
Varroc Corp Holding B.V.	Netherlands	100%	100%	-	-
Varroc Japan Co. Limited	Japan	100%	100%	-	-
Step down subsidiaries					
Team Concepts Private Limited (Refer Note 58)	India	90%	-	10%	-
Industrial Meccanica E Stampaggio S.p.a.	Italy	100%	100%	-	-
TRI.O.M., S.p.A.	Italy	80%	80%	20%	20%
TRI.O.M., Vietnam Co. Ltd.	Vietnam	80%	80%	20%	20%
Electromures SA	Romania	80%	80%	20%	20%
TRI.O.M. Mexico SA De. C.V.	Mexico	80%	80%	20%	20%
Varroc Lighting Systems SRO	Czech Republic	100%	99.99%	-	-
Varroc Lighting Systems Inc.	USA	100%	99.99%	-	-
Varroc Lighting Systems GmBH.	Germany	100%	99.99%	-	-
Varroc Lighting Systems S.de.R.L. De. C.V.	Mexico	100%	100%	-	-
Varroc Lighting Systems S.A., Morocco	Morocco	99.87%	-	0.13%	-
Varroc Do Brasil Comércio, Importação E Exportação De Máquinas, Equipamento E Peças Ltda.	Brazil	100%	-	-	-
Varroc Lighting Systems sp. Z o.o.	Poland	100%	-	-	-

Principal activities

All the group companies are primarily engaged in the business of auto components and services in the automotive industry to Indian and global customers.

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Varroc Engineering Private Limited
Notes to the consolidated financial statements
Note 48 B : Additional information as on March 31, 2018 required by Schedule III

(Rs. In Millions)

Sr. no.	Name of the entity in the group	Net assets (Total assets minus total liabilities)		Share in profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
		as % of consolidated net assets	Amount	as % of consolidated profit or loss	Amount	as % of consolidated other comprehensive income	Amount	as % of consolidated total comprehensive income	Amount
	Parent								
	Varroc Engineering Private Limited	35.51%	10,115.47	15.49%	698.30	0.88%	17.50	11.00%	715.80
	Indian Subsidiaries								
1	Varroc Polymers Private Limited	16.16%	4,603.20	9.84%	443.46	0.47%	9.36	6.96%	452.82
2	Durovalves India Private Limited	2.60%	739.63	0.40%	17.95	0.09%	1.78	0.30%	19.73
3	Varroc Lighting Systems (India) Private Limited	1.60%	457.11	0.72%	32.45	-0.18%	(3.61)	0.44%	28.84
4	Team Concepts Private Limited	0.73%	208.96	0.54%	24.49	-0.01%	(0.14)	0.37%	24.35
	Foreign Subsidiaries								
1	VarrocCorp Holding B.V.	12.31%	3,505.61	4.24%	191.09	0.00%	-	2.94%	191.09
2	Varroc Lighting Systems S.R.O.	44.79%	12,758.96	38.00%	1,713.06	0.00%	-	26.33%	1,713.06
3	Varroc Lighting Systems S.de.R.L.de.C.V.	-1.79%	(508.82)	3.39%	152.80	0.83%	16.57	2.60%	169.37
4	Varroc Lighting Systems INC	11.11%	3,164.39	18.77%	846.15	0.00%	-	13.01%	846.15
5	Varroc Lighting Systems GmBH	-0.47%	(132.74)	1.24%	56.00	-2.11%	(42.08)	0.21%	13.92
6	Varroc Lighting Systems S.A., Morocco	-0.05%	(13.51)	-1.27%	(57.14)	0.00%	-	-0.88%	(57.14)
7	VARROC DO BRASIL COMÉRCIO, IMPORTAÇÃO E EXPORTAÇÃO DE MÁQUINAS, EQUIPAMENTO E PEÇAS LTDA.	0.94%	267.56	-0.59%	(26.70)	0.00%	-	-0.41%	(26.70)
8	Varroc Lighting Systems sp. Z o.o.	-0.04%	(10.80)	-0.23%	(10.28)	0.00%	-	-0.16%	(10.28)
9	Varroc Japan Co. Ltd	0.01%	1.84	0.04%	1.74	0.00%	-	0.03%	1.74
10	Varroc European Holding B.V.	-2.92%	(830.85)	-0.39%	(17.48)	0.00%	-	-0.27%	(17.48)
11	Industria Meccanica e Stampaggio S.p.A.	-0.34%	(97.76)	0.23%	10.24	0.12%	2.39	0.19%	12.63
12	Aries Mentor Holding BV	1.47%	417.88	-0.25%	(11.40)	0.00%	-	-0.18%	(11.40)
13	TRI.O.M. S.p.A.	2.59%	737.41	0.30%	13.69	0.00%	-	0.21%	13.69
14	Electromures SA,	0.70%	200.32	0.38%	17.30	0.00%	-	0.27%	17.30
15	Triom Vietnam Company Limited	0.46%	132.16	0.14%	6.33	0.00%	-	0.10%	6.33
16	Triom Mexico SA DE CV	0.00%	0.04	0.00%	-	0.00%	-	0.00%	-
	Joint Venture (Investment as per equity method)								
1	Varroc TYC Corporation, BVI	12.21%	3,477.10	14.93%	672.91	0.00%	-	10.34%	672.91
2	Nuova CTS S.r.l	0.31%	87.86	0.39%	17.37	0.00%	-	0.27%	17.37
	Non-controlling interests in subsidiaries	0.73%	207.67	0.12%	5.19	0.02%	0.48	0.09%	5.67
	Subtotal	139%	39,488.69	106%	4,797.52	0.11%	2.25	73.77%	4,799.77
	Adjustment arising out of consolidation	-38.62%	(11,000.97)	-6.43%	(289.75)	99.89%	1,996.03	26.23%	1,706.28
	Total	100%	28,487.72	100.00%	4,507.77	100.00%	1,998.28	100.00%	6,506.05

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Notes to the consolidated financial statements

Note 48 C: Additional information pursuant to para 2 of general instructions for the preparation of consolidated financial statements

For the year ended March 31, 2017 (Restated)

(Rs. in Million)

Sr. no.	Name of the entity in the group	Net assets		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
		as % of consolidated net assets	Amount	as % of consolidated profit or loss	Amount	as % of consolidated other comprehensive income	Amount	as % of consolidated total comprehensive income	Amount
	Parent								
	Varroc Engineering Limited	42.95%	9,472.42	13.40%	420.04	2.58%	(22.23)	17.50%	397.81
	Indian Subsidiaries								
1	Varroc Polymers Private Limited	36.43%	8,035.40	9.19%	288.20	-102.54%	883.78	51.56%	1,171.98
2	Durovalves India Private Limited	3.26%	719.91	0.44%	13.72	0.27%	(2.36)	0.50%	11.36
3	Varroc Lighting Systems (India) Private Limited	1.94%	428.27	5.96%	186.68	0.27%	(2.29)	8.11%	184.39
	Foreign Subsidiaries								
1	VarrocCorp Holding B.V.	12.85%	2,833.63	6.84%	214.49	0.00%	-	9.44%	214.49
2	Varroc Lighting Systems S.R.O.	39.75%	8,766.06	72.65%	2,277.52	0.00%	-	100.20%	2,277.52
3	Varroc Lighting Systems S.de.R.L.de.C.V.	-4.26%	(939.98)	-17.51%	(548.80)	-0.58%	5.00	-23.92%	-543.80
4	Varroc Lighting Systems INC	10.49%	2,313.78	-12.02%	(376.67)	0.00%	-	-16.57%	-376.67
5	Varroc Lighting Systems GmBH	-0.57%	(126.53)	1.16%	36.37	-0.78%	6.71	1.90%	43.08
6	Varroc European Holding B.V.	-3.16%	(697.06)	-11.17%	(350.06)	0.00%	-	-15.40%	-350.06
7	Industria Meccanica e Stampaggio S.p.A.	0.60%	132.22	-6.63%	(207.84)	1.91%	(16.45)	-9.87%	-224.29
8	Aries Mentor Holding BV	1.67%	368.84	-0.73%	(22.76)	0.00%	-	-1.00%	-22.76
9	TRI.O.M. S.p.A.	2.81%	620.41	0.17%	5.23	0.58%	(5.00)	0.01%	0.23
10	Electromures SA,	0.72%	159.85	0.11%	3.32	0.00%	-	0.15%	3.32
11	Triom Vietnam Company Limited	0.57%	124.68	0.25%	7.74	0.00%	-	0.34%	7.74
12	Triom Mexico SA DE CV	0.00%	0.03	0.00%	-	0.00%	-	0.00%	-
13	Esex Forging s.r.l. (under liquidation)	0.00%	-	0.39%	12.11	0.00%	-	0.53%	12.11
14	Varroc Japan Limited	0.01%	2.12	0.07%	2.15	0.00%	-	0.09%	2.15
	Joint Venture								
	(Investment as per equity method)								
1	Varroc TYC Corporation, BVI	12.9%	2,842.91	24.89%	780.40	0.00%	-	34.33%	780.40
2	Nuova CTS S.r.l	0.4%	84.16	0.06%	1.74	0.00%	-	0.08%	1.74
3	Varroc Elastomers Private Limited	0.0%	-	0.31%	9.71	0.00%	-	0.43%	9.71
	Non-controlling interests in subsidiaries	0.91%	201.60	0.12%	3.83	-0.07%	0.64	0.20%	4.47
	Subtotal	160.25%	35,342.72	87.95%	2,757.12	-98.37%	847.80	158.60%	3,604.92
	Adjustment arising out of consolidation	-60.25%	(13,287.38)	12.05%	377.71	198.37%	(1,709.65)	-58.60%	(1,331.94)
	Total	100.00%	22,055.34	100.00%	3,134.83	100.00%	(861.85)	100.00%	2,272.98

Note 49: Related Party Disclosure.

a. Related parties and their relationships

1 Joint Ventures

Nuova CTS S.r.l, Italy
Varroc TYC Corporation, British Virgin Islands

Varroc TYC Auto Lamps Co. Ltd., China (Subsidiary of Varroc TYC Corporation, BVI)
Varroc TYC Auto Lamps Co. Ltd. CQ, China (Subsidiary of Varroc TYC Auto Lamps Co Ltd China)
Varroc Elastomers Private Limited (w.e.f. December 1, 2014 until March 15, 2017)

2 Key Management Personnel

Mr. Tarang Jain - Managing Director

Whole Time Directors
Mr. Arjun Jain (until February 06, 2018)
Mr. Ashwani Maheshwari

Non-executive Directors
Mr. Naresh Chandra (w.e.f. May 11, 1988)
Mr. Gautam Khandelwal (w.e.f. July 20, 2017)
Mr. Padmanabh Sinha (w.e.f. March 27, 2014)
Mr. L.S. Miniyar (until July 10, 2017)

Independent Directors
Mr. Gautam Khandelwal (w.e.f. July 20, 2017)
Mr. Marc Szulewicz (w.e.f. July 20, 2017)
Mrs. Vijaya Sampath (w.e.f. July 20, 2017)
Mr. Vinish Kathuria (w.e.f. February 06, 2018)

3 Relatives of Key Management Personnel with whom transactions have taken place

Mrs. Suman Jain
Mrs. Rochana Jain
Mr. Arjun Jain (w.e.f. February 07, 2018)
Mr. Dhruv Jain

4 Enterprises Owned or controlled by key management personnel and/or their relatives with whom transactions have taken place

Endurance Technologies Limited
Tarang Jain (HUF)
Varroc Trading Private Limited. (Until October 20, 2016)
TJ Holdings Trust
Naresh Chandra Holdings Trust
Suman Jain Holdings Trust

b. Transactions with related parties

(Rs. in Million)

	Description of the nature of transactions	Volume of transactions					
		For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)	As at March 31, 2018		As at March 31, 2017 (Restated)	
				Receivable	Payable	Receivable	Payable
A]	**Sale of goods, services and fixed assets***						
	Endurance Technologies Limited	91.35	63.92	8.11	-	3.75	-
	Varroc TYC Auto Lamps Co. Limited	45.46	34.54	74.12	-	62.31	-
	Varroc Elastomers Private Limited		-		-	-	-
	Nuova CTS S.r.l	2.97	-	0.23	-	-	-
	Tarang Jain (refer note below)	83.00	-	-	-	-	-
B]	**Purchase of goods, services and fixed assets ***						
	Varroc Elastomers Private Limited	-	184.88	-	-	-	12.94
	Nuova CTS S.r.l	142.39	80.03	-	25.12	-	18.02
	Varroc TYC Auto Lamps Co. Limited.	6.96	2.81		0.48	-	4.36
C]	**Royalty received**						
	Varroc TYC Auto Lamps Co. Limited.	153.63	110.89	70.90	-	-	-
D]	**Professional charges** /.commission						
	Mr. Naresh Chandra	0.57	0.57	-	-	-	-
	Mr. Gautam Khandelwal (w.e.f. July 20, 2017)	2.70	-	-	2.70	-	-
	Mr. Marc Szulewicz (w.e.f. July 20, 2017)	3.70	-	-	3.70	-	-
	Mrs. Vijaya Sampath (w.e.f. July 20, 2017)	2.90	-	-	2.90	-	-
	Mr. Vinish Kathuria (w.e.f. February 06, 2018)	0.68	-	-	0.68	-	-
E]	**Management consultancy fees received**						
	Varroc Elastomers Private Limited.	-	15.75	-	-	-	-
F]	**Interest paid**						
	Nuova CTS S.r.l		0.22		2.44	-	2.06
G]	**Directors fees paid**						
	Mr. Naresh Chandra	0.21	0.21		-	-	-
	Mr. Gautam Khandelwal	0.80	0.10		-	-	-
	Mr. Marc Szulewicz	0.30					
	Mrs. Vijaya Sampath	0.60	-				
	Mr. Vinish Kathuria (w.e.f. February 06, 2018)	0.20	-				
H]	**Reimburesement of Initial Public Offer expenses (Receivable)**						
	Mr. Tarang Jain	12.94		12.94			
I]	**Dividend paid**						
	Mr. Tarang Jain	25.40	24.20		-	-	-
	Mr. Naresh Chandra	-	5.40		-	-	-
	Mrs. Suman Jain	-	4.04		-	-	-
	Mr. Arjun Jain	**	-		-	-	-
	Mr. Dhruv Jain	**	-		-	-	-
	TJ Holdings Trust	16.93	-		-	-	-
	Naresh Chandra Holdings Trust	5.00	-		-	-	-
	Suman Jain Holdings Trust	5.00	-		-	-	-
J]	**Managerial remuneration #**						
	Mr. Tarang Jain	76.92	65.87		-	-	-
	Mr. Arjun Jain - (until February 6, 2018)	4.64	4.80		-	-	-
	Mr. Ashwani Maheshwari	14.74	13.32		-	-	-
K]	**Remuneration #**						
	Mr. Arjun Jain (w.e.f. February 7, 2018)	0.96	-		-	-	-
	Mrs. Rochana Jain	7.93	6.56		-	-	-
L]	**Loan taken/repaid net**						
	Nuova CTS S.r.l	7.42	-		-	-	6.86
M]	**Dividend received**						
	Varroc Elastomers Private Limited.	-	2.66				
	Varroc TYC Auto Lamps Co. Limited.	243.87	199.69	-	-	-	-
	Nuova CTS S.r.l	7.54	-	-	-	-	-
N]	**Reimbursement of expenses - received**						
	Varroc TYC Auto Lamps Co. Limited.	-	5.38	-	-	-	-

* All the values inclusive of taxes if any.
** Amount below rounding off norm adopted by the Company.
\# As gratuity and compensated absences are computed for all the employees in aggregate, the amount relating to the key managerial personnel, cannot be individually identified.
Note: Represent sale proceeds of sale of property with a book value of Rs. 82.69 Million.
During the year ended March 31, 2017 the company has issued 852,359 Series B CCPS and 1,168,377 Series C CCPS as bonus shares to key managerial personnel and their relative. Subsequently during the current year Series B CCPS have been converted into equity shares based on the terms of the agreement, refer note 18.

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AB

Note 50 : Capital and other Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017 (Restated)
Estimated amount of contract remaining to be executed on capital account and not provided for (Net of advances)	3,717.59	1,457.43

(b) Rental expense relating to operating leases

(Rs. in Million)

	Year ended March 31, 2018	Year ended March 31, 2017 (Restated)
Minimum lease payments	338.33	271.73
Total rental expense relating to operating leases	338.33	271.73

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Note 51 - Earnings per shares

	Year ended March 31, 2018	Year ended March 31, 2017 (Restated)
Earnings per share (EPS)		
Basic		
Profit after tax attributable to equity shareholders (Rs. in Million)	4,502.58	3,131.00
Less : Dividend on compulsory convertible preference shares*	-	-
Profit attributable to equity shareholders (Rs. in Million) (A)	4,502.58	3,131.00
Weighted average number of shares outstanding (without considering impact of shares split)**		10,925,028
Weighted average number of shares outstanding (after considering impact of shares split) (B) Refer note 18 (g)	134,811,530	109,250,280
Basic EPS (Amount in Rs.) (A/B)	**33.40**	**28.66**
Diluted		
Profit attributable to equity shareholders (Rs. in Million)	4,502.58	3,131.00
Add/(Less): Imputed interest and changes in cash flow estimates on liability portion of CCPS (Rs. in Million)	-	41.60
Profit attributable to equity shareholders (Rs. in Million) (C)	4,502.58	3,172.60
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	134,811,530	109,250,280
Add: Weighted average number of potential equity shares on account of compulsorily convertible preference shares	-	3,643,700
Weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earnings per share (D)	134,811,530	112,893,980
Diluted EPS (Amount in Rs.) (C/D)	33.40	28.10
Basic earnings per share (Amount in Rs.)	**33.40**	**28.66**
Diluted earnings per share (Amount in Rs.)	**33.40**	**28.10**

* Amount below rounding off norm adopted by the Group.

**Note : During the year, face value per Equity Share and Preference Share have been sub divided from Rs. 10 to Re. 1. Further authorised share capital of the Company was reclassified from Rs. 500 Million consisting of Rs. 165 Million (165,000,000 Equity Shares of Re. 1/- each) and Rs. 335 Million (335,000,000 Preference Shares of Re. 1/- each) to Rs. 250 Million (250,000,000 Equity Shares of Re. 1/- each) and Rs. 250 Million (Consisting of 250,000,000 Preference Shares of Re. 1/- each).

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Note 52 : Contingent liabilities

(Rs. in Million)

Contingent liabilities not provided for	March 31, 2018	March 31, 2017 (Restated)
a) Claim against the group not acknowledged as debt		
Disputed Excise and Service Tax matters	160.65	147.37
Income Tax matters	124.59	-
Sales Tax matters	43.11	52.36
b) Other money for which the Group is contingently liable	30.78	29.86
c) Others	120.76	88.35

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Note 53 - Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

(Rs. in Million)

	March 31, 2018	March 31, 2017
Current		
Financial assets		
Investments	0.10	-
Trade receivables	14,027.34	11,086.37
Cash and bank balances	2,663.07	3,026.43
Loan	40.07	42.29
Other financial assets	2,240.60	2,374.83
Non-financial assets		
Inventories	5,881.81	4,293.97
Other current assets	1,651.33	1,585.06
Total current assets pledged as security	**26,504.32**	**22,408.95**
Non-current		
Investments	0.20	-
Loans	56.90	-
Other financial assets	316.27	433.49
Other non-current assets	1,310.94	287.26
PPE, CWIP and Intangible Asset	22,031.85	17,338.11
Total non-currents assets pledged as security	**23,716.16**	**18,058.86**
Total assets pledged as security	**50,220.48**	**40,467.81**

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Note 54: Disclosures as required as per Ind AS 17 – 'Accounting for Leases'

The group leases various offices and warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Lease payments in respect of operating leases included in the Statement of Profit and Loss for the year ended March 31, 2018 Rs. 338.33 Million (March 31, 2017 Rs. 271.73 Million).

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017 (Restated)
(A) Non cancellable operating leases :		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not Later than one year	96.24	86.57
Later than one year and not later than five years	262.82	166.18
Later than five years	88.40	-
Total (A)	**447.46**	**252.75**
(B) Finance leases : The Group has taken certain plant and machinery on finance lease. The disclosure as required by Ind AS 17 is as follows:		
(a) Minimum future Finance lease payments		
Not Later than one year	62.41	53.95
Later than one year and not later than five years	129.14	158.19
Later than five years	-	-
Total (a)	**191.55**	**212.14**
(b) Present value of minimum lease rentals payable		
Not later than one year	58.97	48.01
Later than one year but not later than five years	122.93	153.19
Later than five years	-	-
Total (b)	**181.90**	**201.20**
c) Reconciliation of minimum lease payments and present value		
Minimum lease rentals payable as per (a) above	191.55	212.14
Less: Finance charges to be recognized in subsequent years.	9.65	10.94
Present value of minimum lease rentals payable as per (b) above.	**181.90**	**201.20**

Apart from the above, some of land and building located in Czech Republic and India is taken on finance lease. The total obligation towards the lease payments has been made in advance as on the date of Balance Sheet.

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Note 55 : Interests in joint ventures

Set out below are the joint ventures of the group as at 31 March 2018 which, in the opinion of the directors, are material to the group.

(Rs. in Million)

Name of entity	Place of business	% of ownership	Relationship	Accounting method	Carrying Value	
					As at March 31, 2018	As at March 31, 2017 (Restated)
Varroc TYC Corporation, BVI and its subsidiaries	China/British Virgin Islands	50%	Joint Venture	Equity Method	3,477.10	2,842.91
Nuova CTS S.r.l	Italy	50%	Joint Venture	Equity Method	87.86	84.16
Varroc Elastomers Pvt. Ltd. [refer note 56(2)]	India	51%	Joint Venture	Equity Method	-	-
Total					**3,564.96**	**2,927.07**

The joint venture entities are primarily engaged in the business of auto components and services in the automotive industry.

Commitments and contingent liabilities in respect of joint ventures

(Rs. in Million)

Particulars	As at March 31, 2018	As at March 31, 2017 (Restated)
Commitments – joint ventures	64.57	82.35

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Note 55 : Interests in joint ventures

Summarised financial information for joint ventures

The summarised financial information for joint ventures disclosed below, reflects the amounts presented in the financial statements of the relevant joint ventures and not Varroc's share of those amounts.

(Rs. in Million)

Summarised balance sheet	Varroc TYC Corporation, BVI		Nova CTS srl		Varroc Elastomers Private Limited [refer note 56(2)]	
	As at March 31, 2018	As at March 31, 2017 (Restated)	As at March 31, 2018	As at March 31, 2017 (Restated)	As at March 31, 2018	As at March 31, 2017 (Restated)
Current assets						
Cash and cash equivalents	1,204.76	1,563.75	47.09	10.55	-	-
Other assets	6,336.32	6,514.53	39.94	38.05	-	-
Total current assets	**7,541.08**	**8,078.28**	**87.03**	**48.60**	-	-
Total non-current assets	**4,372.42**	3,679.37	**1.76**	**0.70**	-	-
Current liabilities						
Financial liabilities (excluding trade payables)	1,552.88	1,287.36	-	-	-	-
Other liabilities	3,246.46	4,050.74	35.26	13.80	-	-
Total current liabilities	**4,799.34**	**5,338.10**	**35.26**	**13.80**	-	-
Non-current liabilities						
Financial liabilities (excluding trade payables)	-	837.19	-	-	-	-
Other liabilities	222.16	198.01	7.16	6.60	-	-
Total non-current liabilities	**222.16**	**1,035.20**	**7.16**	**6.60**	-	-
Net assets	**6,892.00**	**5,384.35**	**46.37**	**28.90**	-	-

(i) Summarised statement of profit and loss

(Rs. in Million)

	Varroc TYC Corporation, BVI		Nova CTS srl		Varroc Elastomers Private Limited [refer note 56(2)]	
	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Revenue	12,286.55	15,338.60	157.90	91.86	-	589.49
Depreciation and amortisation	419.30	378.71	0.40	0.29	-	24.36
Interest expense	60.20	120.10	-	-	-	5.10
Income tax expense	102.96	291.14	13.49	0.24	-	9.17
Profit for the period	1,345.81	1,560.80	34.73	3.48	-	19.09
Other comprehensive income	410.31	-	(12.24)	-	-	-
Total comprehensive income	1,756.12	1,560.80	22.49	3.48	-	19.09
Dividends received	243.87	199.70	7.54	-	-	-

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Note 55 : Interests in joint ventures
(ii) Reconciliation of carrying amounts

(Rs. in Million)

	Varroc TYC Corporation, BVI		Nova CTS srl	
	As at March 31, 2018	As at March 31, 2017 (Restated)	As at March 31, 2018	As at March 31, 2017 (Restated)
Closing net assets	**6,892.00**	**5,623.62**	**46.37**	**38.97**
Group's share in %	50%	50%	50%	50%
Group's share in INR	3,446.00	2,811.81	23.19	19.49
Goodwill	31.10	31.10	64.67	64.67
Carrying amount	**3,477.10**	**2,842.91**	**87.86**	**84.16**

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Note 56 Liquidation and sale of shares in jointly controlled entities:

1 **Liquidation of Esex Forging srl:**

One of the foreign step-down subsidiaries of the Company, Esex Forging s.r.l. has been liquidated with effect from 29th March 2017, as per the communication received from the Chamber of Commerce, Milan.

The group's shares in total assets, net assets, revenues and in the profit and loss for the year are as under:

(Rs. in Million)

Particulars	March 31, 2017 (Restated)
Total assets	-
Net assets	-
Profit /(Loss) before tax	12.65

2 **Varroc Elastomers Private Limited :**

During the financial year 2016-17 the group has sold 484,500 equity shares held in joint venture (Varroc Elastomers Private Limited) for a total consideration of Rs. 115.8 Million.

Note 57 Construction contracts:

(a) Consolidated Statement of profit or loss

(Rs. in Million)

	For the year ended March 31, 2018	For the year ended March 31, 2017 (Restated)
Contract revenue	5,907.13	6,196.25
Contract costs	5,159.51	5,133.86

(b) Consolidated Balance Sheet

(Rs. in Million)

	As at March 31, 2018	As at March 31, 2017 (Restated)
Financial assets		
Trade receivables	892.46	742.50
Other financial assets - current	2,409.12	2,652.31
Other financial assets - non-current	177.56	620.55
Financial liabilities		
Other financial liabilities	903.44	384.75

(c) Amounts due from / (to) customers under construction contracts

The net balance sheet position for ongoing construction contracts is as follows:

(Rs. in Million)

	March 31, 2018	March 31, 2017 (Restated)
Amounts due from customers for contract work	2,586.68	3,272.86
Amounts due to customers for contract work	903.44	384.75

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Note 58 - Business combination

Summary of acquisition

1) On November 30, 2017, Varroc Polymers Private Limited, a wholly owned subsidiary of the Company acquired controlling interest in Team Concepts Private Limited. The entity is engaged in the business of manufacture and sale of auto accessories and is recognized as a premium auto accessories manufacturer among OEMs and after market.
Given the recent acquisition, the fair value of purchase consideration of Rs 559.60 Million (including redemption liability of non controlling interest) has been allocated to assets and liabilities on a provisional basis as per Ind AS 103, Business combinations.
The Group expects to finalize the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date within the measurement period of 12 months.

(Rs. in Million)

The assets and liabilities recognised as a result of the acquisition as at the acquisition date are as follows:

	Team Concept Private Limited (TCPL) (Fair Value)
Non Current Assets	
Property Plant & Equipment	128.08
Intangible assets	230.31
Non Current Financial Assets	
Other financial assets	0.82
Current Asset	
Inventories	29.94
Financial Assets	
Trade receivables	79.30
Cash and cash equivalents	14.34
Other current assets	10.15
Total Asset	**492.94**
Non-current liabilities	
Other financial liabilities	
Provisions	1.15
Deferred tax liabilities (Net)	77.33
Current liabilities	
Financial liabilities	
Trade payables	18.04
Provisions	3.32
Current tax liabilities (Net)	9.57
Other current liabilities	7.83
Total Liabilities	**117.24**
Net identifiable asset acquired	**375.70**

Calculation of provisional goodwill	
Fair value of consideration (Including cash paid and redemption liability)	559.60
Less: Net identifiable assets acquired	(375.70)
Provisional Goodwill	**183.90**

The provisional goodwill recognized in connection with the acquisition is primarily attributable to anticipated synergies from future growth.

The revenue and profit after tax of the entity , for the period of four months ended March 31, 2018, Consolidated in the financial statements is as follows:
Revenue : Rs. 93.00 million, Profit for the period: Rs. 24.29 million.

2) Our Subsidiary, VarrocCorp Holding B.V., has entered into a Share Purchase Agreement dated May 30, 2018 for acquiring 100% shareholding in a company engaged in the manufacture and sale of exterior automotive lighting components used in four wheelers based in Turkey for a consideration of Euro 43 million, subject to adjustment as per the terms of the said Agreement. The completion of the transaction is subject to fulfilment of the closing conditions as specified in the said Agreement including receiving approval from the Turkish competition authority which is currently pending with the authority.

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Note 59: Disclosure on specified bank notes (SBNs)

During the previous year, the Group had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December, 30 2016, the denomination wise SBNs and other notes as per the notification is given below:

Amount in Indian Rupees

Particulars	SBNs*	Other denomination currency	Total
Closing cash in hand as on November 8, 2016	2,224,820	230,706	2,455,526
(+) Permitted receipts	-	2,531,214	2,531,214
(-) Permitted payments	-	1,683,323	1,683,323
(-) Non Permitted payments	-	-	-
(-) Amount deposited in Banks	2,224,820	61,350	2,286,170
Closing cash in hand as on December 30, 2016	-	1,017,247	1,017,247

* For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the November 8, 2016.

The notes are an integral part of these financial statements
As per our report of even date

For Price Waterhouse & Co Chartered Accountants LLP
Chartered Accountants

Firm Registration No: 304026E/E-300009

AMIT BORKAR
Partner
Membership No : 109846
Place : Pune
Date : June 6, 2018

TARANG JAIN
Managing Director

GAUTAM KHANDELWAL
Director

ASHWANI MAHESHWARI
CEO and Whole Time Director

THARUVAI R. SRINIVASAN
Group CFO
Place : Mumbai
Date : May 31, 2018

RAKESH M. DARJI
Company Secretary

BOARD'S REPORT

Dear Shareholders,

The Directors of your Company take pleasure in presenting the Thirtieth Annual Report on the business and operations of the Company together with financial statements for the financial year ended March 31, 2018.

1. Financial results & appropriations

a. Financial results

Particulars	STANDALONE Financial Year 2017-18 (In million)	STANDALONE Financial Year 2016-17 (In million)	CONSOLIDATED Financial Year 2017-18 (In million)	CONSOLIDATED Financial Year 2016-17 (In million)
Revenue from operations	20,954.75	18,120.53	1,03,784.57	96,085.40
Total Income	21,242.46	18,445.04	1,04,170.67	97,022.69
Profit before finance cost, depreciation, exceptional items and extraordinary expenses (EBITDA)	**2,469.21**	**1,931.46**	**9,161.76**	**6,754.84**
Depreciation and amortization (-)	1,016.11	962.82	3,864.65	3,370.83
Finance cost (-)	401.50	468.50	861.70	903.96
Share of Net Profit of Investment accounted for using the equity Method (+)	-	-	690.27	791.88
PROFIT BEFORE TAX	**1,051.60**	**500.14**	**5,125.68**	**3,271.93**
Current tax expense (-)	232.97	110.99	1161.10	473.42
Deferred tax (-)	120.33	-30.89	-543.19	-336.32
NET PROFIT FOR THE YEAR	**698.30**	**420.04**	**4,507.77**	**3,134.83**
Less: Profit attributable to Non-controlling interest	-	-	5.19	3.83
Profit attributable to owners of the Company	**698.30**	**420.04**	**4,502.58**	**3,131.00**
Add: Profit brought forward from last year	1,182.23	1,015.09	5,135.42	2,275.61
Add: Re-measurements of defined benefit plans, net of tax	10.82	-8.04	-4.89	-25.28
Less: Transfer to Debenture Redemption Reserve (DRR)	-	-200	-125	-200
Add: On Account of Capital Reduction	-	-	-205.95	-
Appropriation: Dividend on Equity Shares	-61.56	-40.25	-61.56	-40.25
Tax on Dividend	-11.19	-4.61	-11.19	-4.61
Balance carried forward in Balance Sheet	**1,818.60**	**1,182.23**	**9,639.98**	**5,135.42**

b. Company's Performance

During the financial year 2017-18, on a consolidated basis Varroc Group achieved revenue of ₹ 103,784.6 million as compared to ₹ 96,085.4 million in the previous year – a growth of 8 %. Profit after tax of the group for the year stood at ₹ 4,507.8 million as against ₹ 3,134.8 million in the previous year – a growth of 43.8%.

Revenue from operations on standalone basis increased to ₹ 20,954.8 million as against ₹ 18,120.5 million in the previous year – a growth of 15.6%. The profit after tax for the current year is ₹ 698.3 million as against ₹ 420.0 million in the previous year – a growth of 66.2%.

c. Dividend and transfer to reserve

The Board of Directors vide its circular resolution dated March 08, 2018 declared and paid Interim Dividend @ 50% (50 paise per share) on equity shares of ₹ 1 for the Financial Year 2017-18.

The Board of Directors vide its resolution dated April 20, 2018 declared and paid Interim Dividend on 0.0001% Series C Compulsory Convertible Preference Shares (Series C CCPS) on fully diluted basis along with equity shares.

The total cash outflow on account of interim dividend on Equity and Preference shares was ₹ 67.4 million. The Board recommends that the interim dividend, which was already declared and paid, be considered as the final dividend for the Financial Year 2017-18. The Board of Directors has considered it appropriate not to transfer any amount to the General Reserve before declaration of Dividend.

d. Credit Rating

During the year under review the credit rating of the Company's short term and long-term debt was maintained by ICRA at 'ICRA AA-(Stable)' for long term loan and 'ICRA A1+' for short term loan.

In May, 2018 ICRA upgraded the outlook on the ratings for the Company's long term borrowing to 'AA-(Positive)' and maintained ratings for short term borrowings at 'ICRA A1+'.

e. Details of Internal Financial Controls with reference to the Financial Statements

Adequate internal control systems commensurate with the nature of the Company's business and size and complexity of its operations have been developed with the help of independent expert agency and the same are operating satisfactorily. Internal control systems consisting of policies and procedures are designed to ensure accuracy and completeness of the accounting records and the timely preparation of reliable financial information, timely feedback on achievement of operational and strategic goals, compliance with policies, procedure, applicable laws and regulations and that all assets and resources are acquired economically, used efficiently and adequately protected.

The internal financial control with reference to the financial statements were adequate and operating effectively as endorsed by statutory auditors in their report.

f. Details in respect of frauds reported by Auditors

During the year under review, there have not been any instances of fraud and accordingly, the Statutory Auditors have not reported any frauds either to the Audit Committee or to the Board under Section 143(12) of the Act.

2. Industry Outlook and Business Overview

Details on economic outlook, industrial outlook, business overview and SWOT analysis of the company is covered in the Management Discussion and Analysis report.

3. Financial Information and Disclosures

a. Report on Performance of Subsidiaries, Associates and Joint Venture Companies

Your Company has 22 subsidiaries and 4 joint ventures companies as on March 31, 2018. During the year, the Board of Directors (the Board) reviewed the affairs of material subsidiaries. In accordance with Section 129(3) of the Companies Act, 2013 the Company has prepared consolidated financial statements of the Company and all its subsidiaries, which forms part of the Annual Report. Further, the report on the performance and financial position of each of the subsidiary and joint venture and salient features of the financial statements are provided in the prescribed Form AOC-1 and it forms part of the Financial Statements of the Company.

During the year under review, Varroc Lighting Systems SA, Morocco and Varroc Lighting Systems S.p.z.o.o., Poland were incorporated as stepdown subsidiary companies under VarrocCorp Holding B.V., Nehterland, a wholly owned subsidiary of the Company with a purpose of setting up of new manufacturing facilities for automotive lighting and to provide technical support through research and development activities and engineering services.

During the year under review, the overseas wholly Owned Subsidiary VarrocCorp Holding B.V. has acquired a bare shell company "Lang MEKRA Engenharia Avancada Ltda" (renamed as Varroc Do Brasil Comércio, Importação E Exportação De Máquinas, Equipamento E Peças LTDA.) for setting up of manufacturing facility in Brazil for automotive lighting business to cater north American markets.

Further, the Company through its wholly owned subsidiary Varroc Polymers Pvt. Ltd. has acquired 90% stake in Bangalore based Company Team Concepts Pvt. Ltd. engaged in the business of manufacturing and supply of automotive accessories and components for 4 wheelers.

Further, the Company has partnered with Dell'Orto S.p.A., Italy for equal co-ownership of IP rights of electronic fuel injection system and signed a Joint Venture Agreement for setting up 50:50 joint venture company for manufacturing and sale of electronic fuel injection system mainly for two wheelers in India.
In accordance with Section 136 of the Companies Act, 2013, the audited financial statements, including the consolidated financial statements and related information of the Company and audited financial statements of each of the subsidiary will be available on website www.varrocgroup.com. These documents will also be available for inspection during business hours at the registered office of the Company. Copy of these financial statements shall be made available to any Member of the Company, on request.

Details of subsidiaries and joint ventures of the Company and their performance are covered in Management Discussion and Analysis Report forming part of this Annual Report.

b. Conversion of Company to Public Limited Company

Your Company was converted from private limited to public limited as per the resolution passed by the members of the Company, at their Extra-ordinary General Meeting ("EoGM") held on January 25, 2018 and a fresh certificate of incorporate was issued by the Registrar of Companies, Maharashtra, Mumbai on February 05, 2018. Subsequently, under the Offer for Sale through Initial Public Offer, the shares of Company were admitted for listing and trading on the National Stock Exchange of India and The BSE Limited.

Consequently, the status of the Company has changed to listed company.

c. Share Capital

During the year under review, following corporate actions were executed resulting in change in authorised and paid-up share capital of the Company.

i) Scheme of Capital Reduction

As per the order passed by the National Company Law Board Tribunal ("NCLT") on November 9, 2017 approving the scheme of capital reduction under erstwhile section 100 to 104 of the Companies Act,1956 (Section 66 of the Companies Act, 2013) the issued, subscribed and paid-up capital of the Company was reduced by cancellation of 852,349 equity shares of ₹10 each, held by Varroc Polymers Pvt. Ltd., without any payment. The said order of NCLT filed with the Registrar of Companies, Maharashtra, Mumbai was approved on January 15, 2018.

(ii) Conversion of Preference Shares

As per the terms of issue of Series B and Series C 0.0001% Compulsorily Convertible Preference Shares 8,52,349 equity share of ₹10 each and 1,16,83,770 equity shares of ₹ 1 each were allotted to Mr.Tarang Jain on February 06, 2018 and May 31, 2018 respectively.

(iii) Restructuring of Share Capital

During the year under review, the share capital of the Company was sub-divided from equity shares and preference shares of ₹10 each into equity shares and preference shares of `1 each with effect from January 25, 2018. Simultaneously, the authorised share capital of the Company was reclassified from ₹50,00,00,000 comprising of 16,50,00,000 Equity Shares and 33,50,00,000 Preference Shares to ₹ 50,00,00,000 comprising of ₹ 25,00,00,000 divided into 25,00,00,000 Equity Shares of ₹ 1 each and Rs. 25,00,00,000 divided into 25,00,00,000 Preference Shares of Re1 each. The paid-up equity share capital of the Company as on March 31, 2018 was ₹ 13,48,11,530.

d. Fixed Deposits

During the year under review, the Company has not accepted any deposits from the public.

e. Disclosures under Section 134(3)(1) of the Companies act, 2013 – Material Changes and Commitment

As per share purchase agreement signed on May 30, 2018 VarrocCorp Holdings BV, wholly owned subsidiary has acquired SA-BA Endüstriyel Ürünler imalat ve Ticaret Anonim irketi, a Turkey based company engaged in the business of manufacturing and supply of automotive lighting for four wheelers along with its wholly owned subsidiary company in Bulgaria at an aggregate consideration of Euro 43 million. The acquisition was partly funded by borrowed funds and partly by internal accruals. The closing conditions, including approval of competition commission were completed on June 30, 2018. No other material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate and on the date of this report.

f. Disclosure regarding significant and material orders passed by regulators or Courts or Tribunal

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

g. Particulars of contracts or arrangements made with Related Parties

All related party transactions that were entered into during the financial year were on arm's length basis and in the ordinary course of the business. There are no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large.

h. Particulars of Loans, Guarantees or Investments

Particulars of loans, guarantees, investments and securities provided during the financial year under review along with the purposes of such loans, guarantees and securities is given in Annexure III to this report.

i. Disclosure under Section 43(a)(ii) of The Companies Act, 2013

The Company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Act read with Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is required to be furnished.

j. Disclosure under Section 54(1)(d) of the Companies Act, 2013

The Company has not issued any sweat equity shares during the year under review and hence no information as per provisions of Section 54(1)(d) of the Act read with Rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014 is required to be furnished.

k. Disclosure under Section 62(1}(b) of the Companies Act, 2013

The Company has not issued any equity shares under Employees Stock Option Scheme during the year under review and hence no information as per provisions of Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debenture) Rules, 2014 is required to be furnished.

l. Disclosure under Section 67(3) of The Companies Act, 2013

During the year under review, there were no instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Act read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014.

4. Disclosures related to Board, Committees, Remuneration and Policies

a. Directors and Key Managerial Personnel

Mr. Tarang Jain retires by rotation and being eligible, offer himself for re-appointment. Information in respect of Mr. Tarang Jain is provided in the notice of the Annual General Meeting. On conversion of the Company from private limited to public limited, Mr. Tarang Jain and Mr. Ashwani Maheshwari were re-appointed as Managing Director and Whole-time director respectively and Mr. Vinish Kathuria was appointed as Additional Director/Independent Director w.e.f. February 06,2018 and their terms of appointment, including remuneration, were subsequently approved by special resolutions passed at the extra ordinary general meeting of the Company held on February 13, 2018. In addition, Mr. Vinish Kathuria was appointed as Additional Director/Independent Director w.e.f. February 06, 2018 by the Board of Director on February 06,2018 and later on his appointment as independent director for a term of 3 years was ratified by the members of the Company on February 13, 2018.

Appointment of Mr. T. R. Srinivasan, Group CFO and Mr. Rakesh Darji, Company Secretary as key managerial personnel of the Company as required under Section 203 of the Companies Act, 2013 was confirmed at the Board meeting held on February 06, 2018. Mr. Tarang Jain, Mr. Ashwani Maheshwari and Mr. Arjun Jain by virtue of their position will also be considered as key management personnel.

Mr. Arjun Jain had stepped down as director of the Company on February 06, 2018. He has been re-inducted to the Board as Additional Director/Whole-time Director by the Board on August 08, 2018. The Company has sought approval of the members by way of special resolution for his appointment as Whole-time Director and terms and conditions of remuneration payable to him. Mr. Padmanabh Sinha (DIN 00101379), Investor Nominee Director has resigned w.e.f. May 28, 2018. The Board places on record its sincere appreciation for the services rendered and guidance provided to the management of the Company during his tenure.

In accordance with the amended requirement of Regulation 17(1A) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 which shall come into force with effect from April 1, 2019, Mr. Naresh Chandra (DIN 00027696) who has attained the age of eighty-three years consent of the members of the Company by way of special resolution is sought at the ensuing annual general meeting for Mr. Naresh Chandra to continue after April 1, 2019 as Non-Executive Director and Chairman of the Company.

Details of Board Meetings and Committee meetings held during the year under review attendance at the meetings are provided in Corporate Governance Report.

b. Declaration by Independent Directors

In terms of Section 149(7) of the Act, the Independent Directors have submitted their declaration confirming compliance with the criteria of independence as stipulated under Section 149(6) of the Act.

c. Information on Board Meeting procedure and attendance during the Financial Year 2017-18

The Board meetings of the Company are conducted as per the provisions of the Companies Act,2013 and applicable Secretarial Standards. Information as mentioned in the Act and all other material information, as may be decided by the management, are placed for consideration of the Board. Details on the matters to be discussed along with relevant supporting documents, data and other information is also furnished in the form of detailed agenda to the Board and the Committees concerned, to enable directors take critical decisions and accordingly advise the management.

Details regarding information furnished to the Board members, number of Committee and Board meetings held during the year along with attendance record of each director has been disclosed in the Corporate Governance Report of the Company.

d. Director's Remuneration Policy and Criteria for Matters under Section 178 and Payment of Commission

As stipulated under Section 178 of the Act, the Board has approved a Nomination and Remuneration Policy of the Company.

The Policy documents the mechanism for appointment, cessation, evaluation and remuneration of the Directors, Key Managerial

Personnel and Senior Management of the Company. Information on the Policy and details of the criteria for determining qualifications, positive attributes and other matters in terms of Section 178 of the Act are provided in the Corporate Governance Report.

The Company has not paid any Commission to Managerial Personnel during the financial year under review. The Company has paid in aggregate profit related commission of ₹ 1.05 crore to non-executive directors for the financial year 2017-18 which is within 1% of profit approved by the shareholders and details of the same are provided in Corporate Governance Report.

e. Formal annual evaluation of the performance of the Board, its Committees and Directors

This being the first financial year after Company becoming public and listed company, formal annual evaluation of performance of the board and its committees and directors will be conducted at the end of financial year 2018-19.

f. Directors' Responsibility Statement

Pursuant to Section 134(5) of the Act, the Directors, based on the representation received from the management, confirm that:

(i) in the preparation of the annual accounts for the year ended March 31, 2018, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year 2017-18 and of the profit and loss of the Company for that period;

(iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; (iv) the directors have prepared the annual accounts on a going concern basis;

(v) the directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and

(vi) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

g. Corporate Governance

Corporate Governance Report along with General Shareholder Information and Management Discussion and Analysis are included in this Annual Report

The Managing Director and the Director and Group Chief Financial Officer have certified to the Board with regard to financial statements and other matters as required under Regulation 17(8) read with Schedule II to the Listing Regulations.

h. Corporate Social Responsibility and CSR Policy

Corporate Social Responsibility is an integral part of the Company's ethos and policy and it has been pursuing this on a sustained basis. In this endeavor, the Company has contributed funds for the CSR activities/project related to promoting rural and nationally recognized sports, promotion of education and employment enhancing vocational skills, environment sustainability and promoting art and culture. During the year under review the Company was required to spent ₹ 9 million towards CSR activities agaisnt which, the Company has spent ₹ 18.6 million. The Annual Report on CSR activities as required to be given under Section 135 of the Companies Act, 2013 and Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been provided in an **Annexure – I** to this Report.

i. Enterprise Risk Management Policy

The Board of Directors has approved and adopted comprehensive Enterprise Risk Management Policy (ERM) for the Company.

The Enterprise Risk Management Policy is designed to manage risk within the risk threshold established by the Board and provide reasonable assurance over the achievement of strategic and operational objectives. The policy document covers the enterprise wide risk management aspects of all Business Units/Plants of the Company. The Policy will help in risk identification, risk measurement, define risk appetite and threshold limits and suggesting risk mitigation measures. The Company has with the professional help implemented ERM Policy by carrying out detailed risk identification, assessment and ranking in consultation with senior management of the Company. The process is ongoing and require continuous exercise across all locations and functions of the Company. As a part of risk mitigation measure, the Company has implemented Compliance Management Tool across all business units and functions to monitor compliance of all applicable laws in India. The Audit Committee will do the periodic review of implementation, assessment and mitigation measures under ERM. The Chief Internal Auditor has been appointed as Chief Risk Officer to monitor on-going basis risk and to suggest mitigation measures.

5 Auditors

a. Statutory Auditor

M/s. Price Waterhouse & Co., Chartered Accountants, LLP, (Firm's Registration No.304026E/E-300009) ("PWC"), hold office up to the conclusion of the Thirtieth Annual General Meeting ('AGM').

PWC were appointed as Statutory Auditors of the Company from the conclusion of twentieth annual general meeting (AGM) i.e. from 29th September, 2008 and thereafter they have been re-appointed every year. In terms of Section 139 of the Act read with Rule 6 of the Companies (Audit and Auditors) Rules, 2014, the term of appointment of PWC as Statutory Auditors of the Company expires at the ensuing AGM and rotation of statutory auditor is due at AGM.

In view of the foregoing, the Board has recommended for approval of the shareholders appointment and fix remuneration of M/s. S R B C & CO. LLP, Chartered Accountants (Firm Registration No: 324982E/ E300003), as Statutory Auditors of the Company for a term of five years, from the conclusion of thirtieth AGM till the conclusion of thirty fifth AGM.

The Auditor's report for the financial year 2017-18 does not contain any qualifications, reservations or adversary mark. The auditor's report is enclosed with the financial statements.

b. Cost Auditor

As per the provisions of Section 148 of the Act and Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 ("the Rules"), the Company is required to maintain cost records with respect to certain products of the Company and get the same audited.

Based on the recommendation of the Audit Committee, the Board, at its meeting held on August 07, 2018, has appointed M/s S. R. Bhargave & Co., Cost Accountants as Cost Auditor of the Company for the financial year 2018-19 at a remuneration of ₹ 3,00,000 (Three Lakhs only). The said fee is exclusive of applicable taxes and reimbursement of out-of-pocket expenses, which shall be payable at actuals. A proposal for ratification of the cost audit fee for the audit of cost records for the financial year 2018-19 has been proposed at the forthcoming Annual General Meeting. The Cost Audit Report for the financial year 2017-18 will be filed within the stipulated period of 30 days after it is submitted by the Cost Auditors.

c. Secretarial Auditor

In terms of the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s Uma Lodha & Co. (C.P. No.2593), Company Secretary in Practice, Mumbai was appointed by the Board as Secretarial Auditor to undertake the Secretarial Audit for the financial year 2017-18.

The Secretarial Audit Report for the financial year 2017-18 is annexed herewith as **Annexure- II** to this report. The report does not contain any qualification, reservation or adverse remark.

6. Initial Public Offer

The Company came out with its maiden Initial Public Offer ("IPO") by way of Offer for Sale ("OFS") under which 2,02,11,730 equity shares of ₹ 1 were offered to the public for subscription by promoter Mr.Tarang Jain (1,752,560 equity shares) and private equity investor Omega TC holdings Pte. Ltd. (16,917,130 equity shares) and Tata Capital Financial Services Limited (1,552,040 equity shares) at a price band of ₹965 to ₹967. The IPO of the Company was subscribed 3.6 times and the equity shares of the Company were listed on National Stock Exchange of India Limited and BSE Limited on 06th July 2018. Post IPO, 15 % of the shareholding is held by public and balance 85 % is held by the Promoter and Promoter group.

As the Company's IPO was by way of OFS by shareholders, the Company did not receive any proceeds from the IPO and entire IPO proceeds were paid to the selling shareholders.

7. Other Disclosures and Statutory Information

a. Adoption of new set of Articles of Association

Consequent upon conversion of status of the Company to 'public company' and in order to fulfil the listing requirements, the Company has adopted new set of Articles of Association of the Company with effect from March 25, 2018

b. Policies and code adopted by the Company

The Board of Directors has from time to time framed and approved policies as required by the Listing Regulations as well as under the Companies Act, 2013. These policies will be reviewed by the Board at periodic intervals. Some of the key policies that have been adopted are as follows:

(i) Nomination and Remuneration Policy; (ii) Material Subsidiary Policy (iii) Policy for determination of materiality threshold (iv) Code for Disclosure of Unpublished Price Sensitive Information (v) Code of Conduct for Insider Trading (vi) Policy on Preservation of Information and Archival of documents (vii) Policy on Related Party Transactions (viii) Code of Conduct for Directors (ix) Enterprise Risk Management Policy (x) Whistle Blower Policy.

The above policies are available on the Company's website on the link www.varrocgroup.com/ investor/ investor-relations.

c. Disclosure under code of conduct for Prevention of Insider Trading and Fair Disclosure of Unpublished Price Sensitive Information

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a 'Code of Conduct for Prevention of Insider Trading' ("PIT Code"). Further, the Company has also adopted a 'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information' ("UPSI Code"). The required details have been disclosed in the Corporate Governance Report of the Company.

d. Particulars of employees and related disclosures

Disclosure of remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed herewith as **Annexure-III.**

A statement containing particulars of employees as required under Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided as separate annexure forming part of this Report. In terms of Section 136 of the Act, the Annual Report and financial statements are being sent to the Members excluding the aforesaid annexure. The said annexure is available for inspection at the registered and corporate office of the Company during business hours and will be made available to any shareholder, on request.

e. Conservation of Energy, Technology absorption, Foreign exchange earnings and Outgo

The information pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are provided in **Annexure - IV** to this report.

f. Extract of Annual Return

As required under section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration)

Rules, 2014 (as amended), an extract of annual return in Form MGT - 9 is available on company's website on the link www. varrocgroup.com/ investors/ investor-relations/annual return.

g. Occupational Health & Safety

The organization believes in 'Zero Harm'. The aim is to improve health and safety standards of people who are working with the organization in their capacity as employees, contractors or in any other role. Efforts are taken to minimize activities which may affect the health and safety in working place. Steps are taken for optimum utilization of plants, with least disposal of harmful gases in environment.

h. Disclosure as required under sexual harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013

Your Company is committed towards providing a healthy environment and thus does not tolerate any discrimination and/or harassment in any form. The Company has in place an Internal Complaints Committee to inter-alia Prevent sexual harassment at the workplace and Redress the complaints in this regard. During the year under review, the Company has not received any complaint.

8. Acknowledgements

Your Directors place on record their acknowledgement for the co-operation received from the Customers, Vendors, Bankers, Associates, Collaborators and the Employees of the Company without which it would not have been possible for the Company to achieve such performance and growth.

For and on behalf of the board of directors
Varroc Engineering Limited

Naresh Chandra
Chairman
DIN: 00027696

ANNXURE-I to Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2017-18

1. The Board of Directors at their meeting held on July 28, 2014 has approved policy for Corporate Social Responsibility (CSR) with a vision to actively contribute to the social and economic development of the communities in which Company operates. The said policy was later on amended based on the recommendation of the CSR Committee and amended CSR policy was adopted at the Board meeting held on July 15, 2015.

   The Policy is aimed at socio-economic welfare, uplifting quality of life of the people, maintain environment, promoting youth and young talents, providing opportunities to underprivileged and bright student, imparting vocational education etc. in line with the broad framework of Schedule VII of the Companies Act, 2013. The Policy can be referred in detail on the Company's website www.varrocgroup.com.

2. Composition of the CSR Committee: The CSR Committee comprises of three Directors - Mr. Tarang Jain, Mr. Gautam Khandelwal and Mr. Ashwani Maheshwari. Mr. Tarang Jain chairs the Committee.

3. Average net profit of the Company for last three financial years: ₹ 450 million

4. Prescribed CSR expenditure
   (Two percent of the amount mentioned in item 2 above) : ₹ 9.0 million
5. Details of CSR spent during the financial year:
   (a) Total amount to be spent for the financial year : ₹ 9.0 million
   (b) Total amount spent during the financial year : ₹ 18.6 million
   (c) Amount unspent, if any : NIL
   (d) Manner in which the amount spent during the financial year: Refer Annexure-I
6. Reason for not spending the amount of 2% as provided In clause (3) above : NOT APPLICABLE

7. Responsibility Statement

   We hereby declare that implementation and monitoring of the CSR policy is in compliance with CSR objectives and policy of the Company.

Tarang Jain
(DIN: 00027505)
Managing Director & Chairman CSR Committee
Varroc Engineering Limited

Date: August 07, 2018

ANNEXURE-I to Board's Repot

Sr. No.	CSR project or Activity Identified	Sector in which the project is covered (clause no. of Schedule VII to the Companies Act, 2013, as amended)	Project of Program (1) Local Area or Other (2) Specify the State and district where projects or programs was undertaken	Amount Outlay (Budget) Project or Program wise (₹ in million)	Amount spent on the Projects or Programs during the year 2017-18 (₹ in million	Cumulative Expenditure upto the reporting period i.e. FY 2017-18 (₹ in million)	Amount Spent Direct or through Implementing Agency
1	Skill Development	Cl. (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	1. Local Area: Aurangabad, Pune 2. Others: Maharashtra - Jalgaon, Dhule, Nashik, Ahmednagar, Thane, Raigarh, Solapur, Osmanabad, Latur, Beed, Jalna, Parbhani, Buldhana, Akola, Amarawati, Wardha, Yavatmal, Nanded, Sangli; Madhya Pradesh – Chhindwara, Gujarat – Vadodara, Orissa – Bargash	9.40	13.23	18.49	Direct/NTTF/ DMCFS*
2	Promoting Young Sports Talent enabling them to compete at national and international level	Cl. (vii) training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;	1. Local Area: Aurangabad, Pune 2. Others: Maharashtra – Mumbai, Thane, Navi Mumbai, Pune	4.80	1.16	1.16	Implementing Partner – Varroc Foundation**
3	Kham River Restoration Project	Cl. (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;	Local Area: Aurangabad	3.00	0.00	0.00	Direct/Varroc Foundation**
4	Promoting Art and Culture	Cl. (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional and handicrafts:	Local Area: Aurangabad, Ajanta, Ellora	0.00	0.00	0.00	Direct/ Violin Academy***
5	Promoting Environment sustainability	Cl. (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry,	Local Area: Aurangabad	------	0.00	0.00	Direct/ Varroc Foundation**

		conservation of natural resources and maintaining quality of soil, air and water;					
6	promoting health care including preventive health care"] and sanitation	Cl. (i) Eradicating hunger, poverty and malnutrition, 2["promoting health care including preventive health care"] and sanitation 4[including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.	1. Maharashtra – Mumbai, Thane, Navi Mumbai, Pune	0	4.20	4.20	Direct/Implementing Partner I love Mumbai Foundation
			Total - Direct Expenses	17.20	18.59	23.85	
			Total – Indirect Expenses		-		
			Grand Total	**17.20**	**18.59**	**23.85**	

* NETTUR TECHNICAL TRAINING FOUNDATION (NTTF) is a reputed non-profit organization having an established track record of more than 3 years in undertaking similar kind of projects and programs across the country.

* Deccan Management Consultants Finishing School (DMCFS) is a non-profitable organization having an established track record of more than 3 years in undertaking such kind of projects and programmes

** Varroc Foundation (VF) is a Trust registered under Indian Trust Act, 1982 and has an established track record of more than 3 years in undertaking similar kind of projects and programs with an overall aim to create and support a stronger and inclusive India.

***Violin Academy is a reputed non-profit organization having an established track record of more than 3 years in undertaking similar kind of projects and programs.

UMA LODHA & CO.
COMPANY SECRETARIES

Suite No. 507, 5th, Floor, Highway Commercial Centre, I. B Patel Road, Goregaon (East), Mumbai - 400063
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Email: uma@umalodha.com I info@umalodha.com
Website: www.umalodha.com

ANNEXURE-II

Form MR-3
SECRETARIAL AUDIT REPORT
[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018

To
The Members of
Varroc Engineering Limited

We have conducted the secretarial audit of the compliance of applicable statutory provision and the adherence to good corporate practices by **M/S. VARROC ENGINEERING LIMITED (CIN: U28920MH1988PLC047335)** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the **M/S. VARROC ENGINEERING LIMITED** books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31st March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minutes' books, forms and returns filed and other records maintained by **M/S VARROC ENGINEERING LIMITED** for the financial year ended 31st March, 2018 according to the provisions of:

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

(ii) The Securities Contracts (regulation) Act, 1956 (SCRA) and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations any Bye-laws framed there under;

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(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following laws are specifically applicable to the Company:

- Motor Vehicles Act, 1988 and Central Motor Vehicles Rules, 1989
- The Explosive Act, 1884
- The Petroleum Act, 1934
- The Environment (Protection) Act, 1986
- The Water (Prevention and Control of Pollution) Cess Act, 1974 and Water (Prevention and Control of Pollution) Cess Rules, 1978
- The Air (Prevention and Control of Pollution) Act, 1981
- Central Excise Act, 1944 and as applicable rules
- Customs Act, 1962 with as applicable guidelines & rules
- Central Ground water Authority (Constituted under section 3 (3) of the Environment (Protection) Act, 1986 with as applicable guidelines & rules
- Collection of Statistic Act, 2008 and Collection of Statistics Rule 2011
- Electricity Act, 2003 with as applicable guidelines & rules
- Food Safety & Standards Act, 2006 & Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Foreign Trade (Development & Regulation) Act, 1992 with as applicable guidelines & rules
- Information Technology Act, 2000 with as applicable guidelines & rules
- Legal Metrology Act 2009 with as applicable guidelines & rules
- Public Liability Insurance Act, 1991 and Public Liability Insurance Rules, 1991
- Rajasthan Electricity (Duty) Act 1962 and Rajasthan Electricity (Duty) Rules, 1970
- Research And Development Cess Act, 1986 and Research And Development Cess Rules, 1996
- Other state or local laws where company is having manufacturing facilities, offices or places from where it operates its business

<u>Specific Labour Laws:</u>

- Factories Act, 1948
- Industrial Dispute Act, 1947
- The Payment of Wages Act, 1936
- The Minimum Wages Act, 1948
- Employee's State insurance Act, 1948
- The Employees Provident Fund and Misc. Provision Act, 1952
- The Payment of Bonus Act, 1965

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- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation and Abolition) Act, 1970
- The Maternity Benefit Act, 1961
- The Child Labour Prohibition and Regulation Act, 1986
- The Industrial Employment (Standing Orders) Act, 1946
- The Employees Compensation Act, 1923
- The Apprentices Act, 1961 and Apprenticeship Rules, 1992
- The Equal Remuneration Act, 1976
- The Employment Exchange (Compulsory Notifications of Vacancies) Act, 1959
- The Competition Act, 2002
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013

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

(i) Secretarial Standards issued by the Institute of Company Secretaries of India

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

We further report that:

As per the explanation given by the Company, all the existing related party transactions of the Company with its related parties are in the ordinary course of business and on arm's length basis or as per the contracts existing on the commencement of the Act, 2013 and have been approved by the Audit Committee, where applicable.

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors & Key Managerial Personnel (KMP), Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

We further report that during the audit period there were no major events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines.

Place: Mumbai
Date: 31st May 2018

For Uma Lodha & Co.
Practicing Company Secretaries

Proprietor
ACS/FCS No.: 5363
C.P. No.2593

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE B(i)' and forms an integral part of this report.

UMA LODHA & CO.
COMPANY SECRETARIES

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ANNEXURE B(i)'

To
The Members
M/S. VARROC ENGINEERING LIMITED

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

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

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

- We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

- Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

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

- The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place: Mumbai
Date: 31st May 2018

For Uma Lodha & Co.
Practicing Company Secretaries

Proprietor
ACS/FCS No.: 5363
C.P. No.2593

ANNEXURE-III to Board Report

Disclosure of remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

A. Ratio of remuneration of each Director to the median remuneration of the employees of the Company for the FY 2017-18 as well as the percentage increase in remuneration of each Director, Chief Financial officer, Company Secretary is as under:

Name of Director / KMP	Designation	Remuneration (₹ in million)	Ratio to Median Remuneration	% change in Remuneration over previous year
Mr. Naresh Chandra	Chairman	0.67	N.A.	6.70%
Mr. Tarang Jain	Managing Director	47.52	16911%	20%
Mr. Arjun Jain*	Whole-time Director (for part of the year)	4.64	1651%	20%
Mr. Gautam Khandelwal	Independent Director	3.50	N.A.	#
Mr. Marc Szulewicz	Independent Director	5.00	N.A.	$
Mrs. Vijaya Sampath	Independent Director	3.50	N.A.	$
Mr. Vinish Kathuria	Independent Director	0.88	N.A.	$
Mr. Ashwani Maheshwari	Whole-time Director	14.74	5246%	11.92%

* for part of the year # This is the first year company has paid commission. $ This is the first year of their appointment and therefore this is not applicable.

Note: For above calculation, remuneration includes siting fee and commission. Commission relates to the financial year ended 31st March 2018, which will be paid during FY 2018-19.

The Percentage increase in remuneration of Mr. Rakesh Darji, Company Secretary is 7%. Mr. T R Srinivasan, Group CFO has joined during the year 2017-18 and therefor percentage increase is not applicable.

Percentage increase in median remuneration in the FY 2017-18: 4.27%	4.27%
Number of Permanent employees on the roll of the company as on 31st March 2018	5034
Comparison of average percentile increase in salary of employees other than the managerial personnel and the percentile increase in the managerial remuneration % change in remuneration Average percentile increase in Salary of employees other than managerial personnel	9.64%
Average percentile increase in remuneration of managerial personnel	11.4%

F. Affirmation:

It is affirmed that the remuneration paid to the Directors, Key Managerial Personnel and other employees is as per the Remuneration Policy of the Company.

G. Justification for Average increase in Salary

The average increase in Salary is in line with average industry standards and comparable to the prevalent mark

ANNEXURE-IV to Boards Report

ANNEXURE –IV

INFORMATION AS PER SECTION 134 (3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2018

A) CONSERVATION OF ENERGY

During the year under review, the wind mills installed by the Company at Satara and Supa in Maharashtra State and Badabaugh in Rajasthan State, generated 75,83,756 units of electricity (including 6085189 units of captive consumption). The Company earned an income of ₹ 51.26 million (including captive consumption ₹ 42.70 million) from generation of wind power.

Further, Solar Plant installed by the Company at Shivaji Nagar, Distt. Dhule, Maharashtra State generated 6,703,123 units of electricity. The said units were captively consumed by the Company. The total amount of captive consumption is ₹44.42 Million.

The Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilization and maximum possible savings of energy is achieved.

i) THE STEPS TAKEN OR IMPACT ON CONSERVATION OF ENERGY:

- Capacitors provided to maintain power factor to unity
- Provided VFD for dust collector
- Compressed Air line leakages identification and rectification
- Modification of hydraulic power pack circuit
- Energy efficient LED lamp- Replacement of 216 watt tube sets with 120 watt LED Lamp sets in Press Shop, Heat treatment, Tool Room
- Centralized cooling system - Installation of Evaporative air cooling systems to replace 5 nos. exhaust fans and 2 stand fans
- IBH coil modification for energy consumption reduction from 4000 KW coil to 3400 KW coil
- Stop Idle run of hyd. Motor - Hyd. power pack idle run stop by modification of logic
- Introduce variable speed drive for 15-ton crane - VFD installation for 15-ton crane raw material yard, VFD installation for IBH pusher motor & Cooling tower.
- Centrlized cooling system for press shop office- Installation of Evaporative air cooling systems to replace 3 nos. of AC
- Plate Type Heat Exchanger in place of Chillers
- Kaeser DSD 238 Screw Replacement
- VFD to Air Compressor DSD 238
- VFD to Hydraulic power packs
- Air booster to be fitted on SQF furnace in Heat Treatment 1.2 lacks
- Air supply to be controlled by timer to save air and energy at Machine Shop.
- Submersible pumps to be provide at Cooling Towers.
- At Shot Blasting VFD to be installed for blast wheel.
- At machine shop Energy saver valve to be installed before air gun to control air pressure to reduce air and energy consumption

- Harmonic Filter to be installed to control; harmonic.
- New APFC capacitor panel installed to optimize power factor & to reduce losses.
- Gravity Chute Installed & Conveyors removed
- Provided interlock to hydraulic motors of CNC Machine
- Hydraulic interlock provided for idle running of machines
- Interlock adds for Centerless Grinding machines for programming modification done for idle running
- 11W CFL Inspection lights replaced with 8W LED
- Street Light Sodium vapor lamps replaced with LED-45W
- Water Cooler installed instead of AC for Electrical Panel
- Auto ON & OFF control system provided at New STP Plant
- Auto ON & OFF control system provided at New ETP / ZLD Plant
- Use of LED Indication lamps on Machine & Control Panels
- LED fittings install at Transformer Area / DG – LT Room
- Modified Air Line main header installed to reduce load on compressors
- Continuous monitoring of power usage throughout the year.

The adoption of the above energy conservation measures has helped to curtail the power requirement. This has made it possible to maintain cost of production at optimum level. The impact of measures taken above for conservation and optimum utilization of energy are not quantitative, its impact on cost is not ascertained accurately.

ii) THE STEPS TAKEN BY THE COMPANY FOR UTILIZING ALTERNATE SOURCE OF ENERGY

- The Company has initiated the roof top solar mechanism for alternate source of energy
- The Company is exploring the use of green source power like solar and/ or wind in plants as an alternative source to thermal power.

(iii) THE CAPITAL INVESTMENT ON ENERGY CONSERVATION EQUIPMENTS

- An amount of ₹1.50 Crore is proposed to be spent in FY 2018-19 for energy conservation equipment.
- The proposed capital investment on energy conservation equipment for Solar during 2018-19 would be ₹ 6.31 crore approx.

B) TECHNOLOGY ABSORPTION

(i) Efforts made towards technology absorption:

The Company's products are manufactured by using in-house know how and no outside technology is being used for manufacturing activities. Therefore, no technology absorption is required.

(ii) The benefits derived like product development, cost reduction or import substitution:

The products manufactured by the Company have been well received and accepted by customers.

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year) : **Not applicable**

(iv) Expenditure on R & D:

(₹ in Mio)

Particulars	**2017-18**
Capital	55.5
Recurring	385.9
Total	441.4
Total R&D expenditure as a Percentage of total turnover	2.11%

C) FOREIGN EXCHANGE EARNINGS & OUTGO

Actual Foreign Exchange used and earned:

Sl. No	**Item**	**Amount (₹ in Mio)**
A	Used for:	
1	Capital Goods	220.43
2	Raw Materials	1054.72
3	Components, Stores & Spares	32.19
4	Foreign Travels	8.31
5	Consultancy Charges	33.34
6	Interest on Term Loans	42.19
7	Royalty	0.63
7	Others	73.27
	TOTAL	**1465.08**
B	Earned:	
1	Exports	1747.09
2	Others	114.49
	TOTAL	**1861.58**

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
VARROC ENGINEERING LIMITED

Naresh Chandra

NARESH CHANDRA
CHAIRMAN
DIN : 00027696

Place : Mumbai
Date : August 07, 2018

Management Discussion and Analysis

1. ECONOMIC ENVIRONMENT

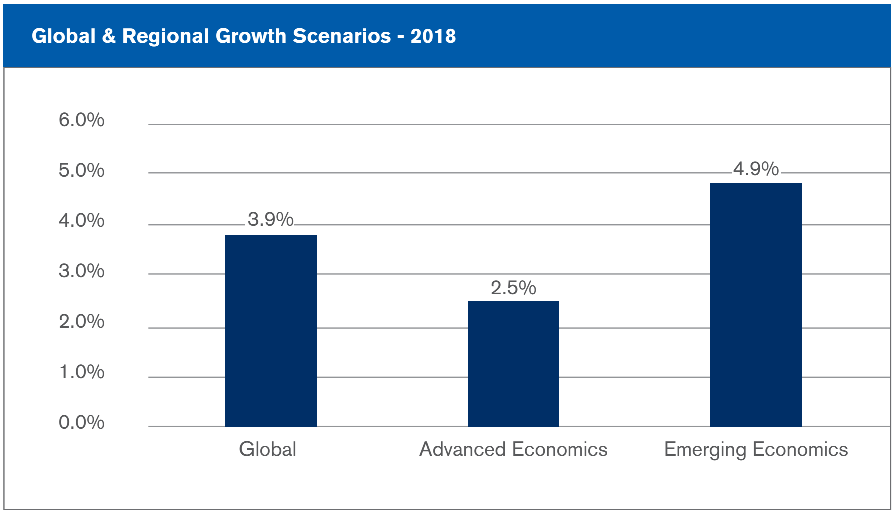
Global economic overview

Global economic growth for 2017 is at 3.8% and is projected to be 3.9% in both 2018 and 2019. The pickup in growth has been broad-based, with notable upside in Europe and Asia. The GDP growth reflects positive contributions from personal consumption expenditures, fixed investments, and state and government spending. In the near term, activity in both advanced economies and emerging economies is expected to accelerate. Along with China, several other emerging market and developing economies will also do better this year-that group includes Brazil, Mexico, and emerging Europe, according to IMF.

On the downside, the early February 2018 market turbulence and the equity market correction in March following the US tariff announcement on steel and aluminum and a range of Chinese products, as well as the announcement by China of retaliatory tariffs on imports from the US, serve as a cautionary reminder that asset prices can correct rapidly. Aging populations and lower projected advances in total factor productivity may challenge the future growth prospectus of advanced economies.

(Source: World Economic Outlook - April 2018, IMF)

Global GDP Growth (%)



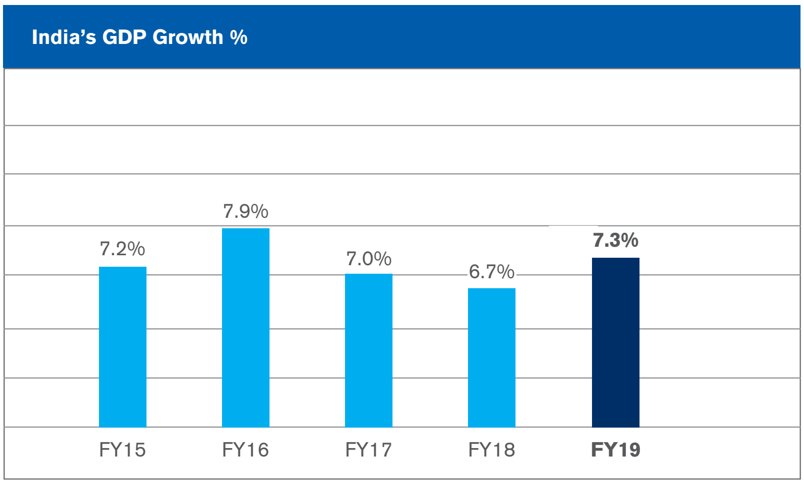
Source: World Economic Outlook - April 2018, IMF

India economic overview

India's GDP increased 6.7 per cent in 2017-18 and is expected to grow 7.3 per cent in 2018-19. The acceleration of structural reforms, the move towards a rule-based policy framework and low commodity prices had provided strong growth impetus over the past couple of years. Recent deregulation measures and efforts to improve the ease of doing business have boosted foreign investment. India is expected to be one of the top four economic powers of the world over the next decade or so.

India's GDP (%)

In the medium term, CRISIL expects the pace of economic growth is likely to pick up, as structural reforms – such as the GST and the Bankruptcy Code, aimed at de-clogging the economy and raising the trend rate of growth – begin to impact the economy. Assuming that



Source : CSO World Bank, IMF

the monetary and fiscal policies remain prudent, these reforms would lead to efficiency gains and improve the prospects for sustainable high growth in the years to come. An improving macroeconomic environment (softer interest rate and stable inflation), urbanization, a rising middle class and business-friendly government reforms will drive growth in the long term.

The major factors which could impact the progress that the Indian economy is making are the direction in which oil prices move, the political outcome in the upcoming elections later this year, poor monsoon and the exchange rates.

2. INDUSTRY OUTLOOK

Our business is directly related to our customers' vehicle sales levels across various segments. Automotive sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, as well as changes in interest rate levels, consumer confidence and fuel costs.

We have two primary business lines, namely (i) the design, manufacture and supply of exterior lighting systems to passenger cars OEMs worldwide (our "Global Lighting Business"), which we undertake through our subsidiaries forming part of the VLS group and (ii) the design, manufacture and supply of a wide range of auto components in India (our "India Business"), primarily to two-wheeler and three-wheeler OEMs, Our India Business offers a diversified set of products across three product lines, namely Polymers/Plastics, Electrical/Electronics and metallic components. In addition, we have Other Businesses, which include the design, manufacture and supply of two-wheeler lighting to global OEMs (TRIOM) and under carriage forged machine components for OHVs and drill bits for the oil and gas sector (IMES).

i) Global Lighting Business

Global passenger cars ("PC") and light commercial vehicles ("LCV"), markets

During the 2016-2021 period, mature markets such as North America and Europe are expected to grow steadily at a CAGR of 1.6% to 2.0% as per Yole. It also expects that, the Japanese market will continue to decline with the development of megacities and the reduced need to have a personal car. South American and African markets will also keep declining until 2021-2022, by when a new growth cycle is expected to start. The growth in China will slow down with a CAGR of 3.4%, while India, Korea and the rest of Asia are expected to grow at a CAGR of 5.3%, 2.4% and 2.5% respectively.

Regarding future trends, global PC and LCV sales are expected to reach 99 million units in 2021 at a CAGR of 2.0% during the period 2016-2021. The growth will be driven by emerging markets where GDP growth per capita will enable more households to purchase their first car.(Source-Yole)

Global Automotive Exterior Lighting market

The global automotive exterior lighting market generated USD 17.8 billion in terms of revenue in 2016 and grew at a CAGR of 4.5% during the period 2011-2016. It is expect to grow at a CAGR of 4.3% during the period 2016-2021, which represents a higher CAGR than global passenger vehicle and light commercial vehicle sales, which grew at a CAGR of 3.8% during the period 2011-2016 and is expected to grow at a CAGR of 2.0% during the period 2016-2021.

The higher growth is mainly driven by increase lighting content per vehical due to increased penetration of new technology like light-emitting diodes ("LEDs") that will increase the value of lighting systems compared to existing technologies and increased importance of lights as a selling point.

Key Industry trends

The following key trends in the industry will have an impact on automotive exterior lighting:

- advanced driver assistance system ("ADAS") (and autonomous vehicles);
- increased connectivity;
- CO2 emission reduction;
- vehicle electrification; and
- shared mobility.

The key priorities for vehicle manufacturers is the consumer-driven demand for style, safety, reliability, and energy efficiency, as well as increasingly demanding regulatory standards. This translates into a constant focus on core competencies, such as powertrain (i.e. main components that generate power and deliver it to the road surface) and structure of the vehicle. OEMs will now have to develop and implement increasingly complex electronic, optoelectronic, software, and communication systems, and will need to collaborate with new suppliers and industries in order to do so. Upcoming technologies such as LED, 3D Lighting, AFS, Matrix and Laser will also lead to high-growth, high-margin products that further bolster the growth of the industry.

ii) India business

Indian Two Wheeler Sector

According to CRISIL Research, India is the second largest two-wheeler market in the world.The production of two-wheelers in India grew at a 5% CAGR between FY2012 and FY2017. While domestic sales grew at a faster 6% CAGR, the export demand was subdued at a 4% CAGR.Overall domestic two-wheeler production is estimated to grow at a robust pace of 8-10% CAGR in the next three years to reach around 26.3 million units by FY2020. Domestic sales, which forms approximately 85% of total production, is also estimated to grow at a similar pace of 8-10% during the period. On the other hand, it estimates exports to grow at a faster pace of 9-11% from the low base of FY2017.

Higher GDP growth and lower inflation will lead to better affordability, measured by an increase in disposable incomes. CRISIL Research expects affordability to improve, especially in rural areas, as a result of better crop output due to a better monsoon. Muted interest rates will further aid demand. Moreover, it expects the cost of ownership to rise moderately on account of vehicle price hikes, offset by a decline in prices post GST imposition.

Indian Three Wheeler Sector

India is one of the largest exporters of three-wheelers, and major players are continuously expanding their distribution reach in other countries to boost exports growth. Major export markets include emerging markets like Africa, South East Asia and Latin America.Issuance of fresh permits, availability of funding, replacement demand, favorable CNG economics and demand from cab aggregators for three wheelers are driving the domestic growth for the three wheelers. Strong demand for Three Wheelers is seen from international markets, due to the rising demand for last-mile connectivity because of the lack of well-developed public transport systems.

Between FY2017 and FY2020, the three-wheeler sales to increase at a 13-15% CAGR, because of moderate domestic growth of 8-10% CAGR and a healthy exports growth of 20-22% CAGR.

iii) Opportunities for Varroc

The increases the lighting value and lighting content per car as a result of technological improvement and upgradation presents a big opportunity for our lighting business. Going forward we will continue to focus on high growth markets and customers where we can increase customer revenue and on improving operational efficiency across our businesses. We will continue to invest in our R&D, design, engineering and software capabilities in order to capitalize on future trends.

The Indian two and three-wheeler industry is expected to grow at a promising rate in the near term supported by a buoyant economy with rising rural income. In addition, There are significant opportunities created by the future safety and emission norms for our Electrical and Lighting divisions. All of these factors are likely to support our growth going forward.

3. OUR STRATEGIES

a) *Focus on high growth markets for our Global Lighting Business*

The global exterior automotive lighting market is expected to grow at a CAGR of 4.3% between 2016 and 2021 (Source: Yole). Such growth is driven by the trend towards autonomous driving and connectivity between cars, with lighting becoming an increasingly prominent design and aesthetic feature, as well as playing a critical role in safety requirements and lighting technologies playing a greater role in energy efficiency and design flexibility. As such, we are looking to expand our market share in the global exterior automotive lighting market, including projection systems, signalling functions and electronics.

Historically, while part of Visteon, our Global Lighting Business had relationships with customers such as Jaguar Land Rover and a central European car manufacturer. Since our acquisition of Visteon's lighting business in 2012, we have grown our relationships with existing customers and expanded our customer base to include new OEMs such as the VW Group, Renault-Nissan-Mitsubishi and Volvo Truck. With our cost efficient and global manufacturing footprint, we are well-positioned to continue to serve our customers' needs across different car models and geographies. Through our China JV, we currently have two plants and two R&D centers in China. We target global platforms with global OEMs, as well as the local SUV and the growing electric car segments.

b) *Focus on increasing customer revenue for our India Business*

India is the second largest two-wheeler manufacturer in the world (after China), growing at a 7% CAGR during calendar years 2013 to 2016, with domestic sales of 17.7 million units in 2016, whilst China's sales fell at a 10% CAGR during the same period. Overall domestic two-wheeler production is expected to grow at a robust pace of 8-10% CAGR in the next three years to reach around 26.3 million units by FY2020. (Source: SIAM and CRISIL Research). The primary demand drivers for the Indian domestic two-wheeler industry are improving affordability and lower cost of ownership, whilst the key growth drivers for two-wheeler industry exports are rising crude oil prices and a focus on other markets. Given the high exposure of two-wheelers in rural areas, they depend, in turn, on trends in rural incomes and infrastructure.

In addition to benefiting from the overall growth in the Indian two-wheeler and three-wheeler markets, we also intend to increase our revenue with our existing customers by expanding the array of our existing products that we supply to them and by continuing to develop technology solutions aligned with their needs. Our pan-India manufacturing footprint provides us with the ability to be close to our customers across key automotive manufacturing hubs in India, and we seek to foster customer loyalty by being closely attuned to each of their needs. For example, knowing that just-in-time delivery is especially important for polymer products, all our polymer plants are located very close to our customers in order to best service their needs.

c) *Continue to invest in our R&D, design, engineering and software capabilities in order to capitalize on future trends*

We plan to continue expanding our R&D, engineering and software development capabilities in order to capture future growth trends. We seek to expand our capabilities in a cost efficient manner, by focusing on low-cost geographies nearby major automotive markets, in order to expand our capabilities in a cost-efficient manner. For example, in India we established a R&D facility specifically catering to VLS, which provides support to our core R&D facility in the Czech Republic. Moreover, we established a new R&D facility in Poland which started operations in 2018.

d) *Pursue strategic joint ventures and inorganic growth opportunities*

We intend to actively pursue acquisitive opportunities and strategic alliances with targets that are complementary to our business. We are mainly focused on growing existing product lines, such as automotive lighting and electronics for the global exterior automotive lighting market, in key markets including North America. While we will continue to focus on the polymer, electrical and metallic businesses within India, we will also continue to be disciplined in evaluating complementary businesses in India to increase our focus on other segments if necessary. In particular, we will seek to make acquisitions that provide us with access to new technologies, or new customers, or new geographies. For example, we have recently acquired Team Concepts, a manufacturer of auto accessories in Bangalore with Japanese OEMs as key customers, and an exterior automotive lighting company based in Turkey.

We have historically entered into joint ventures and agreements with a number of partners in order to ensure we gain access to new technologies, advanced manufacturing know-how, and access to new customers and geographies. For example: (i) with the acquisition of Visteon, we acquired a substantial portion of assets comprising of the lighting business of Visteon Corporation and we subsequently acquired Vieston's 50% shareholding in a joint venture with TYC, established for the manufacture and sale of the automotive and motorcycle lighting systems and components in China; (ii) we entered into a joint venture with Dell'Orto S.p.A. in India, in which we have 50% shareholding, for the production, marketing and sale of electronic fuel injection control systems globally, with the exception of Europe and China. (iii) we entered into a tripartite technical and marketing support agreement, through which we receive support in Europe regarding the development, sales, marketing, logistical support and engineering of engine valves and other vehicle components; and (iv) in January 2018 we signed a letter of intent regarding the development of catalytic converter technology for use in India that would comply with the BS-VI emission standards and future legislation.

e) Focus on operational efficiency

We also focus on operational efficiency in order to improve returns in a rapidly changing technological environment. Within each production facility in India and internationally, we have sought to improve efficiencies, streamline our capacity and asset utilisation and manage our capital expenditure.

We apply a lean manufacturing standard in the Global Lighting Business, which we refer to as the Varroc Excellence System ("VES"). VES is structured to boost industrial efficiencies and increase profits and operating cash flows by reducing costs and eliminating waste in excessive stocks, workforce and processes. Through the VES, VLS aims to achieve operational excellence by meeting our key goals of "Superior Quality", "Lowest Cost", "Timely Delivery" and "Highest Motivation", which we pursue through the three pillars of flow management, people development and quality enhancement. By focusing on these elements, we seek to achieve: (i) zero defects, by implementing scheduled maintenance and monitoring in order to detect and remove the causes of such defects; (ii) zero waste, by reviewing manufacturing methods to manage and minimize excess produce; (iii) zero lead time, by managing product processes and delivery times; and (iv) zero accidents, by focusing on training and safety.

For our India Business, we have implemented total preventive maintenance ("TPM") in order to help ensure high quality, low costs and on-time delivery for our customers. Our TPM initiatives focus on improving the efficiency of production and support functions by identifying and eliminating losses. For example, on the shop floor, we conduct activities to eliminate major losses that affect equipment and achieve higher OEE, production per hour, production per headcount and lower costs. We have also received TPM Awards for our 12 plants from our largest customer, Bajaj, during 2008-2014. The practices which we have put in place at our manufacturing plants, Business Units and at group level are, among others, (i) the development of the periodic TPM audit system in 2011 to ensure the effective implementation and improvement of the TPM system, (ii) the development of TPM knowledge through the preparation of a methodology manual and (iii) the TPM pillars awareness book in 2014.

4. PERFORMANCE REVIEW

i) Highlights of Consolidated results

The analysis of the performance of the Consolidated financial of the company on key financial parameters is summarised below:

Profit and loss account

Revenue from operations

Our revenue from operations increased by 8.0% to 103,785 million in FY2018 from ₹ 96,085 million in FY2017, primarily as a result of an increase in sales across all businesses.Contributing to our increased revenue from overseas operations was a 2.5% appreciation in the Euro and 3.9% depreciation in the US Dollar for the purposes of consolidating our offshore revenues.

Other Income

Other income decreased by 58.8% to ₹ 386 million in FY2018 from ₹ 937 million in FY2017, primarily because of an exchange loss of ₹ 254 million in FY2018, in contrast to an exchange gain of ₹ 265 million in FY2017.

Expenses

Raw Materials Costs

The raw materials costs increased by 5.7% to ₹ 63,827 million in FY2018 from ₹ 60,368 million in FY2017, which was mostly in line with an increase in our revenue of approximately 8%.

Excise Duty

The excise duty of ₹ 996 million in FY2018 was not comparable with excise duty of ₹ 3,098 million in FY2017, on account of the introduction of the Goods and Service Tax, which took effect from July 1, 2017 and consequent abolishment of Excise Duty.

Employee Benefits Expense

The employee benefits expense increased by 9.1% to ₹ 13,135 million in FY2018 from ₹ 12,037 million in FY2017, primarily due to an increase in the number of employees (which resulted from a need to manage the increase in volume of operations) and the impact of annual salary increments.

Depreciation and Amortisation Expense
The depreciation and amortisation expense increased by 14.6% to ₹ 3,865 million in FY2018 from ₹ 3,371 million in FY2017, primarily as a result of capital expenditure at VLS and across our manufacturing facilities located in India.

Finance cost other than imputed interest cost on CCPS
The finance costs other than imputed interest costs on CCPS remined at same level in spite of higher revenue, primarily as a result of improved cash generation on account of an increase in revenue, albeit this increase was mitigated somewhat by finance costs attributable to capital expenditures.

The imputed interest cost on CCPS was nil in FY2018 due to conversion of CCPS into equity shares in March 2017.

Other Expenses
The other expenses increased by 15.5% to ₹ 17,051 million in FY2018 from ₹ 14,765 million in FY2017, which was partially in line with our increased sales of approximately 8%. This increase also reflected an increase in R&D costs for VLS and an exchange loss of ₹ 254 million in FY2018 (as compared to an exchange gain of ₹ 265 million in FY2017).

Tax Expense
The total tax expenses increased to ₹ 618 million in FY2018 from ₹ 238 million in FY2017. Our total tax expenses increased mainly on account of an increase in profit before tax, reduction in weighted deduction of R&D expenses in india from 200% to 150% and reduction in tax benefits in Czech Republic in FY2017 for capital expenditure.

Profit for the Year
Primarily for the reasons stated above, our profit for the year increased by 48.6% to ₹ 4,508 million in FY2018 as compared to ₹ 3,034 million in FY2017.

Balance Sheet

Net Worth
Net Worth increased to 28,488 million from 22,055 million in FY2017.

Net Asset Value per share
The Net Asset Value per share has increased to ₹ 211 per share at the end of FY2018 share from ₹ 164 per share at the end of FY2017

Borrowings
Gross borrowings decreased to ₹ 11,990 million from ₹ 15,130 million at the end of FY2017. The net debt as at the end of FY2018 was at ₹ 8,701 million as against ₹ 11,590 million at the end of FY2017. the reduction in Borrowings was due to incremental Free Cash Flows.

Debt-to- Equity Ratio
Net Debt to Equity Ratio for the company is at 0.3x as at the end of FY2018 as compared to 0.5x in FY2017.

ii) Highlights of Standalone results

- Standalone Revenue from operations rose 15.6% to 20,955 million, up from 18,121 million in FY 2017
- EBITDA for the standalone business grew by 27.9% to 2,469 million while EBITDA margin is at 11.8%
- Profit After Tax for the Standalone entity was at ₹ 698 million, an increase of 66.2% over FY2017
- Net worth at the year end increased to ₹ 10,115 million from ₹ 9,472 million as at the end of FY2017

iii) Highlights of results of VarrocCorp Holding B.V., The Netherlands (VCHBV)

VCHBV is the holding company for our lighting business outside India. Results of Varroc TYC Corporation BVI, are not consolidated line-by-line and only net results, at PAT level, are included in the analysis below. The Consolidated performance of VCHBV is as follows :

- VCHBV Revenue from operations rose 2.6% to 61,682 million, up from 60,096 million in FY 2017
- EBITDA for the entity grew by 36.2% to 4,787 million while EBITDA margin is at 7.7%
- Profit After Tax for the year was at ₹ 3,266 million, an increase of 32.1% over FY2017

5. RISK MANAGEMENT

The current economic environment, in combination with significant growth ambitions of the Company, carried with it an evolving set of risks. It counters the impact of unfavourable internal and external events and attempts to ensure business continuity across different stages of the economic cycle. The Company's risk management processes ensure that the Company accepts risks as per the boundary conditions based on its risk appetite. The Company is primarily engaged in the business of manufacturing auto components relating to automobiles sector which is a cyclical industry where global liquidity, government policies, government spending, competition and corporate sentiments have a huge bearing on the industry's prospects, and the long-term success of the Company depends mainly on the existence of a robust risk identification and mitigation process. The Company recognises that these risks need to be managed to protect its customers, employees, shareholders and stakeholders, to achieve its business objectives and enable sustainable growth. Our risk management framework reduces the volatility due to unfavorable internal and external events, facilitates risk assessment and mitigation procedures, lays down reporting procedures and enables timely reviews by the management. The Audit Committee of the Board oversees implementation and effectiveness of the risk management processes. Business level risks and their mitigation plans for each business unit are reviewed periodically by the risk management committee. This section provides an overview of the key risks and control framework and its approach to risk management.

The following section discusses some of these risks :

Risk type	Description and mitigation
Pricing pressure from customers	Pricing pressure from customers may adversely affect our gross margin, profitability and ability to increase our prices, which in turn may materially adversely affect our business, results of operations and financial condition. Our customers generally negotiate for larger discounts in price as the volume of their orders increase. In addition, substantially all our products are customised to specific customer requirements, which requires us to incur significant costs in setting up our capabilities to manufacture these products. We believe that we have high pricing power given the following factors: a concentrated market with few number of players, low lighting cost (as a percentage of car cost) and the importance of technology and design which prevents entry of new players. Additionally, we are continuously working towards achieving sufficient production cost savings to offset price reductions by the customers. These reductions are through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives etc.
Market Risk	Market risk is the risk of loss related to adverse changes in market prices, including commodity risk and interest rate risk. We are exposed to interest rate risk, commodity risk, foreign exchange risk and inflation risk in the normal course of our business. We follow established risk management policies to mitigate these risks. We are exposed to risks in respect of price and availability of certain commodities that we use in the process of manufacturing our products. This risk is mitigated to some extend as we primarily purchase raw materials back-to-back and in line with the terms and prices that are agreed with our customers for our India business. For our international business, we typically agree a fixed per-unit price for raw materials for each purchase order, and thus bear the raw material price risk for such purchase order. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to the fluctuation of the prevailing market interest rates relating to our long-term debt obligations with floating rates. We continuously monitor our borrowing levels and the cost of funding these loans. We have also been able to lower our borrowing costs for a variety of reasons, including, in particular, the improvement of our credit rating in India as our financial strength has improved, which has allowed us to access cheaper sources of credit, commercial paper in particular. Additionally, decreasing interest rates have allowed us to refinance loans as they come due with cheaper sources of funding Changes in currency exchange rates influence our results of operations. We have designated certain derivative instruments as cash flow hedges to mitigate the foreign exchange exposure of forecasted highly probable cash flows. For our Indian operations, we enter into forward contracts, in order to cover our foreign currency exposure, especially in the case of exports.
Credit Risk	Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. We are exposed to credit risk from our operating activities, primarily from trade receivables. We typically have credit terms of 45 to 60 days with customers of our Global Lighting Business and of 15 to 60 days with customers of our India Business, save that our exports from India typically give customers 90 to 170 days credit terms. Most of our largest customers have high credit ratings, which helps to mitigate credit risk. Customer credit risk is also managed by the group's established policies, procedures and control relating to customer credit risk management. Further, our customers include marquee OEMs and tier one companies, which have long standing relationship with us. Outstanding customer receivables are regularly monitored and reconciled.

Management Discussion and Analysis

Risk type	Description and mitigation
Loss of major customers	Our business is dependent on certain major customers, with whom we do not have firm commitment agreements. Significant reduction in purchases by any of our major customers, or a lack of commercial success of a particular vehicle model or lack of commercial success of such model, of which we are a significant supplier could adversely affect our business, results of operations and financial condition. At Varroc, we strive to meet our customer requirements with our QCD program. We always strive to remain competitive through our R&D efforts and with respect to technology, design and quality. In addition, our success in expanding our business also depend on significant investments in our R&D capabilities, in order to support our growth and business strategy. We have been continuously investing in our R&D capabilities.
Safety Risk/ Cyber Risk	The Company is committed to conduct all its activities in such a manner so as to avoid harm to employees and the community. At Varroc, the use of information and telecommunication technologies are increasing, resulting in greater security threats to its digital infrastructure. These impacts may include the loss of sensitive data or information, legal and regulatory breaches and reputational damage. The Company continues to strengthen its cyber security policies, standards, technical safeguard, ongoing monitoring of new and existing threats and IT security awareness initiatives which include IT disaster recovery, emergency response and business continuity management capabilities to enable reduction of impact of any cyber-security event.
Regulatory Compliance Risk	The Company recognises that timely compliance with the ongoing frequently changing regulatory requirements can at times be challenging, and therefore will: ▪ Strive to understand the changing regulatory standards, so as to strengthen its decision-making processes and integrate these in the business strategy of each of the segments in which it opeates ▪ Drive business performance through the convergence of risk, compliance processes and control mechanisms to ensure continued operational efficiency and effectiveness
Political Risk	Social / Civil unrest, act of terrorism within India or internationally can have an impact on the Company's operations. Political and civil unrest and tensions globally may have an impact on the safe and timely execution of projects, which may have financial implications. We review the our risk management practices and activities on a quarterly basis. This included a review of risks to the achievement of key business objectives covering growth, profitability, talent aspects, operational excellence and actions taken to address these risks.

6. INTERNAL CONTROLS

The Company has an adequate system of internal controls implemented by the management towards achieving efficiency in operation, optimum utilisation of the Company's resources and effective monitoring thereof and compliance with applicable laws and regulations.

The Company's internal audit department conducts regular audits to ensure adequacy of internal control systems, adherence to management instructions and compliance with laws and regulations of the country, as well as to suggest improvements. The Internal Audit Function provides assurance to the Board and Senior Management in the various Businesses and Functions that the system of internal control deployed is appropriately designed to manage the key business risks and is operating effectively. Audit plans, internal auditor's observations and recommendations, significant risk areas assessments and adequacy of internal controls are also periodically reviewed by the Audit Committee. The Company has an ERP system - SAP, to have better internal control systems and flow of information. Further, the Company adheres to rules and regulations of ISO.

7. ENVIRONMENT, HEALTH AND SAFETY

Health, employee safety and the environment is among our top priorities and is seen as both a right and a responsibility for all our employees. We take initiatives to reduce the risk of accidents and prevent environmental pollution through implementing a five-pronged environment, occupational health and safety ("EOHS") plan which is based on the requirements of ISO 14001 on OHSAS 18000. First, we seek to eliminate exposure to serious accidents by identifying hazards and reducing the total number of accidents. Second, we work towards preserving our industrial assets by achieving compliance with all applicable legal norms. Third, through a systematic approach towards training and development, we hope to enhance our managers' skills such that these concerns will be efficiently managed. Fourth, we remain conscious of the impact our industrial activities have on our environment, and actively monitor and minimize the environmental impact of our operations. Fifth, we seek to prevent occupational disease and maintain employee health and safety by maintaining industrial hygiene at work places. We also maintain public liability act insurance for some of our plants and also have a commercial general liability policy for all our locations in India.

The EOHS plan is implemented on a group level and we are committed to measuring, evaluating and continually improving our EOHS performance by establishing goals and objectives through regular periodic management reviews and guidance. EOHS performance is reviewed periodically in order to monitor the EOHS performance of our plants and EOHS strategies are developed to achieve our EOHS objectives, which include:

- reduce the dependability of conventional energy sources through the use of renewable energy sources;
- having all our plants in India certified for environmental management systems, in accordance with the requirements of ISO 14001 and OHSAS 18001;
- proactively enriching the EOHS culture within key parts of our organisation;
- having a strong focus on the sustainability of our EOHS system and compliance with the system;
- developing EOHS competency in our organisation;
- having a proactive focus on upcoming legal requirements and internal mechanism of audits; and
- driving sustainability through various initiatives.

a) Health and employee safety

We are committed to maintaining high standards of workplace health and safety and we regard the safeguarding of such interests as one of our most fundamental responsibilities as an employer. We see safety as both a right and a responsibility for all employees and we aim to become a zero-accident organisation. Any mishaps or accidents at our facilities or any emission or leakage from our factory could lead to personal injury, property damage, production loss, adverse publicity and legal claims. It is therefore important that we maintain the Occupational Health and Safety certification in relation to our management of the safety of our people and property.

As of March 31, 2018, 17 of our plants in India have been certified for environmental management systems, in accordance with the requirements of ISO 14001 and OHSAS 18001.

b) Environment

In addition to creating initiatives to improve workplace employee safety, we also implement initiatives to reduce the environmental impact of our operations.

As at March 31, 2018, we have obtained, or are in the process of renewing, all material environmental consents and licenses from the relevant governmental agencies that are necessary for us to carry on our business. Our activities are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites and natural resource damages. We have an automated internal system to track laws applicable to us.

As part of our commitment to the environment, we have set up three wind power plants, totalling 12 windmills with an aggregate power generation capacity of 8.35 MW. These windmills are located at three different locations, with four windmills at Supa, Maharashtra with power generation capacity of 1 MW each, six windmills at Satara, Maharashtra with power generation capacity of 0.35 MW each and two windmills at Jaisalmer, Rajasthan with power generation capacities of 1 MW and 1.25 MW each. The power generated at Supa and Satara is consumed by our plants located at Waluj and Aurangabad and the power generated at Jaisalmer is sold to Rajasthan Vidyut Board as per the Power Purchase Agreement executed with the Rajasthan and Jodhpur Vidyut Nigams.

We have also set up a solar plant at Shiwaji Nagar Sakri Dist Dhule, which has a power generation capacity of 5 MW. The power generated by the solar plant is used by our forging plant in Aurangabad.

Further, we have initiated the setup of solar panels at eight of our plants that have sufficient roof space for the installations, with total power generation capacity of 4.2 MW.

8. HUMAN RESOURCES

We have seen significant enhancement in employee engagement driven by a focused agenda, rewards and recognitions. Our policies and benefits continue to help us in attracting and retaining best resources.

As of March 31, 2018 we employed 14,209 full-time employees across the globe (excluding those employed at our China JV).

A large number of our employees are members of labour unions. We have in the past entered into labour union agreements, for the mutual benefit of our employees and our business, as we recognise that employee satisfaction impacts upon productivity, quality of product, employee engagement and employee discipline. Such agreements have involved, inter alia, agreeing revised wage structures, ex-gratia payments, attendance bonuses and the provision of or enhancement of insurance policies as a quid pro quo for employee agreement to adhere to specified disciplinary rules, codes of conduct, rules on absenteeism, productivity and quality standards and other miscellaneous terms and conditions.

9. CORPORATE SOCIAL RESPONSIBILITY

The Company has engaged in CSR activities for more than two decades and has contributed in the areas like healthcare, education, safe drinking water, food distribution, women empowerment. etc. We were always been at the forefront of voluntary CSR. Details regarding CSR initiatives taken by the Company during the year under review is available in the Annexure-I to the Board's Report.