Varroc Engineering Ltd.
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CIN: L28920MH1988PLC047335

VARROC/SE/INT/2021-22/22 August 3, 2021

To,

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

The Manager – Listing
The Corporate Relation Department,
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578

Sub: Notice of the 33rd Annual General Meeting of the Company ('AGM') and Annual Report for the Financial year ended March 31, 2021

Dear Sir/Madam,

Pursuant to the Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the following for your information and records:

1. Notice of the 33rd AGM of the Company scheduled to be held on Wednesday, August 25, 2021 at 11:00 a.m. (IST) through Video Conference ('VC')/Other Audio-Visual Means ('OAVM') without physical presence of the members; and
2. Annual Report for the Financial year ended March 31, 2021.

In compliance with the MCA Circular dated January 13, 2021 read with Circulars dated May 5, 2020, April 13, 2020 and April 8, 2020 SEBI circulars dated January 15, 2021 and May 12, 2020, Notice of the AGM and Annual Report is sent only by electronic mode to all the Members whose email addresses are registered with the Depository Participants or the Company.

The members can also access the Annual Report on the website of the Company: www.varroc.com. Key information about the AGM is reproduced below for ready reference:

Cut-off date for e-voting	Wednesday, August 18, 2021
Commencement of Remote e-voting	9:00 a.m. (IST) on Sunday, August 22, 2021
Conclusion of Remote e-voting	5:00 p.m. (IST) on Tuesday, August 24, 2021
E-voting during AGM	From commencement of the AGM till conclusion of the AGM
Businesses to be transacted by voting through electronic means	Kindly refer Notice of AGM

Yours faithfully,
For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

STOP@NOTHING

ANNUAL REPORT 2020-21

PERFORM@CHANGE

What's Inside

Key highlights of FY2021

Financial

₹113,028 mn
Revenue

₹5,239 mn
EBITDA

₹3,535 mn
Cash profit

Operational

₹24,837 mn
New order wins in a challenging external environment

Environmental

18.97 mn MW
Units of power generated through renewable sources

STOP@NOTHING

The global automotive industry was undergoing a paradigm shift when a once-in-a-century pandemic emerged to effect a tectonic shift in the way of life for people worldwide. Lockdowns were imposed with severe restrictions on mobility and physical proximity, bringing economic activities to a near standstill and putting individual and business resilience to test.

At Varroc, we not only managed to navigate these extraordinary times by relying on the inherent strengths of our business model, but also have positioned ourselves favourably to shift gears for the next leg of our growth journey. In the past three years, we have added significant capacity to drive rapid revenue growth and expanded our product portfolio to capture the emerging trends in EV transition, emission norms and integration of lighting with electronics.

Our strong in-house technology and R&D capabilities are a result of our relentless focus on bringing the most technologically advanced solutions to the mass market. We are further sharpening our innovation focus to improve wallet share and further diversify our customer base while improving capacity utilisation and operational efficiency to drive up margins.

Inspired by the collective efforts of our people and other stakeholders, we continued to make progress on our social and environmental commitments while providing world-class services to our customers and supporting our suppliers in their time of need. As the world leaves the pandemic behind and looks for innovative, safe and environment-friendly mobility solutions for the future, we are ready to go full throttle in the auto component supply chain.

Corporate Identity

Innovation@Work

Varroc Engineering Limited (Varroc) is a global tier-I automotive component manufacturer. We are engaged in the design, manufacture and supply of exterior lighting systems, polymer components, electrical-electronic components, and precision metallic components to OEMs globally across vehicle segments – passenger, commercial, two-wheelers, three-wheelers and off-highway vehicles.

OUR ETHOS

Our thought foundation

SHIPS

- **S**incerity to speak and act from the heart
- **H**umility to walk with everyone
- **I**ntegrity to do what is right
- **P**assion to go the distance against all odds
- **S**elf-Discipline to make it happen

Vision@Change

To be a leading supplier of innovative solutions for transportation and allied industries

Core business sectors to be exterior lighting and two-wheelers mobility

To be a partner of choice for vision, mobility and emission technologies

To be the fastest growing player in our core sectors

To be in leadership positions in both our core business sectors

Mission@Change

To bring leading-edge technologies to the mainstream markets with high quality and cost competitive solutions:

By delivering customised solutions with superior services

With speed, agility and creativity

And fostering an environment that empowers employees and encourages the pursuit of excellence

Extensive manufacturing footprint

Our manufacturing facilities are strategically located near major automotive markets across India, Europe, North America and China. We have recently expanded our manufacturing footprint into Brazil, Morocco, Poland and Turkey. This extensive presence enables us to stay closer to our customers and address their evolving needs while keeping costs low.

43
Total manufacturing units

Diversified product portfolio

Our wide and diverse portfolio of products acts as a one-stop destination for our customers while providing us cross-selling and up-selling opportunities across lighting, polymers, metallic and electrical segments.

162
Patents held globally (as on March 31, 2021)

Long-standing customer relationships

We work with our customers on value engineering projects for product cost optimisation, maintaining complete transparency in sharing the results. Further, we engage with our key customers on specifications for new product development, which enables us to co-create our innovation roadmap. The result of our customer-centricity is that we have never lost a major customer.

R&D focus

Our strong R&D emphasis since inception has enabled us to stay ahead of the curve in making advanced technology accessible to larger mass markets. We are leveraging our in-house capabilities that have been built over the years to develop products and solutions tailored to the evolving trends in the global automotive industry such as emission norms, autonomous driving, electrification and connectivity, among others.

1,106
R&D engineers (as on December 31, 2021)

World-class quality

Our products are known worldwide for their best-in-class quality, which has been the biggest catalyst of our growth story. We perform stringent quality checks to ensure that our products not only set industry benchmarks, but also exceed customer expectations.

6th largest
Global exterior automotive lighting manufacturer by market share in 2020
(Source: Yole)

2nd largest
Indian auto component group in 2020 (by consolidated revenue excluding TVS Motors Limited)
(Source: CRISIL Research)

Our brand spirit

At Varroc, our beliefs translate into actions that help us win over customers and define us as a brand. These are the dimensions that aid us achieve our end goal of excellence:

- Speed in adapting to customers' needs. We aim at being the first to come up with the best solutions in automotive components and systems
- Bringing new solutions to the market first. We make it a point to introduce the latest technology in automotive components and systems
- Consistently finding opportunities and fulfilling unmet needs. Across the automotive industry, we keep an eye out for new challenges and breakthroughs
- Nurturing a high-performance values-based culture. With a focused team and a culture that rewards performance, we push the bar for ourselves everyday
- First time right development. We aim at making every attempt count. We approach every new challenge with an accelerated learning curve so that we can get it right the first time, every time

132nd
Rank in 2020 Fortune India 500 list

130 bps
Increase in the global PV exterior lighting market share between 2016 and 2020, in a declining industry

Among the Top 3
Independent exterior lighting players in 2020 by market share

(Source: Yole)

Product Portfolio

Excellence across vehicle segments

VLS

PV & Global 2W/ Small Lighting

Global supplier of exterior lighting systems for passenger car OEMs of PV & Global 2W/ Small Lighting

Head Lamps
- Laser
- Xenon
- LED with AFS

Rear Lamps
- LED
- Light Guides

CHMSL

Fog Lamps

Manufacturing Facilities

Global PV lighting
12 Operating facilities Czech(2), China (2), India (2)*, Mexico, Morocco, Turkey, Poland, Brazil and Romania

Global 2W Lighting
3 Facilities - Italy, Romania and Vietnam

VARROC'S INDIA BUSINESS

Polymer

Offers polymer product solutions to the 2W OEMs with a Pan-India presence

- Air Filter Assemblies
- Mirror Assemblies
- Seat Assemblies
- Trims (Interior & Door)
- Painted Plastic Exterior Products

Manufacturing Facilities*

14 Facilities – India

Electrical & Electronics

Offers complete solutions in electrical-electronics components, assemblies for automotive applications

- Body switches & CDI
- Speedometer
- Digital Instrument Cluster
- Battery Management System Offerings
- DC DC Converter
- Magneto
- Electronic Fuel Injection
- Regulator Rectifiers
- Traction Motor & Controller
- Onboard Charger

Manufacturing Facilities*

8 Facilities – India

Metallic

- Supplies precision forged & machined parts for engines and transmissions
- Supplies engines valves in domestic and international markets

- Transmission Gears
- Crankshaft
- Connecting Rod
- Sun & Planetary Gears
- Engine Valves
- Crankpins

Manufacturing Facilities*

4 Facilities – India

*One facility included in Polymer which is common for Polymer, Electrical and Metallic division

OTHER

IMES

Manufactures hot steel forged parts for the construction and oil & gas industries

- Undercarriage Links
- Drill bit cones & heads
- Undercarriage Segments

Manufacturing Facilities

2 Facilities – Italy

Presence

Global footprint

43
Operating global manufacturing facilities

17 Global Business Manufacturing Facilities
across 12 countries (Including 2 in India) optimising production and distribution for VLS and IMES business
supported by 11 R&D centers

26 India Business Manufacturing Facilities
Co-location with customers ensures cost effectiveness and efficient delivery Manufacturing facilities supported by
4 R&D centers

15
R&D centres

68%
Share of revenue from international sales

32%
Share of revenue from Indian business

Maps not drawn to scale

Business Model

Value creation model

Our core values are our biggest growth enabler

Sincerity	Humility	Integrity	Passion	Self Discipline

Our capabilities

Manufacture excellence
Our state-of-the-art integrated manufacturing facilities are equipped with world-class machinery, ensuring advanced quality products.

43
Global manufacturing facilities

Financial prudence
Investment in R&D and manufacturing facilities enables us to expand our product portfolio, technical capabilities and geographic reach.

₹30,561 mn
Net worth

Technology
We focus on technology innovation and engineering excellence, prioritising and investing in next generation research and development programmes to deliver competitive solutions to meet our current and future customers' needs.

15
R&D centres

Qualified professionals
We have the best talent pool at our disposal, who have years of industry experience and are competent.

13,586
Total employees

Marketing
Our innovative marketing initiatives enables us to seamlessly connect with our customers.

Diversified product portfolio
We provide innovative end-to-end solutions for automotive OEMs through a wide range of products across lighting, polymers, metallic and electrical segments.

Relationships
Strong relationships with regulators and automobile authorities across all our markets, and successful collaborations with industry partners, enable us to achieve our growth objectives.

Our offerings

INDIA BUSINESS
Polymers/Plastics, Electrical/Electronic, Metallic components and Telematics solutions

GLOBAL BUSINESS
Design, manufacture, and supply of exterior lighting for passenger vehicles

Creating value for stakeholders

Customers
Value to customers by providing high-quality solutions

Employees
A safe, rewarding and inspiring place for employees to work in and develop their careers

Supply chain
Partnership opportunities for suppliers and subcontractors to contribute to, and share in, our success

Community
Improving the quality of lives; leadership in commitment to social and environmental sustainability

Shareholders
Enhancing value for our shareholders

Outcomes

₹113,028 mn
Revenue

Improved
Product portfolio

Launched
BS-VI and EV products in India

Expanding customer base
Our India business now caters to customers accounting for >95% of the 2W OEMs, after the addition of TVS

162
Patents granted globally

₹44.44 mn
Spent on CSR activities

Key Performance Indicators

Cruising at steady speed

Profit and Loss Metrics

Revenue (₹ in million)

FY2017	96,085
FY2018	1,03,785
FY2019	1,20,365
FY2020	1,11,219
FY2021	**1,13,028**

EBITDA* (₹ in million)

FY2017	6,755
FY2018	9,162
FY2019	11,495
FY2020	9,197
FY2021	**5,239**

Profit after Tax (₹ in million)

FY2017	3,034
FY2018	4,508
FY2019	4,287
FY2020	25
FY2021	**-6,286**

EPS (Basic) (₹)

FY2017	22.48
FY2018	33.4
FY2019	31.54
FY2020	0.01
FY2021	**-46.75**

Balance Sheet Metrics

Net worth (₹ in million)

FY2017	22,055
FY2018	28,488
FY2019	30,906
FY2020	30,295
FY2021	**30,561**

Book Value Per Share (₹)

FY2017	162.11
FY2018	209.78
FY2019	227.46
FY2020	222.87
FY2021	**198.18**

*EBITDA = Profit/(loss) before share of net profit/(loss) of investments accounted for using equity method, tax and exceptional items + Finance costs +Depreciation and Amortisation expenses

Sustainability Metrics

Power Generated through windmill (MW)

FY2017	8.56
FY2018	7.58
FY2019	7.79
FY2020	8.18
FY2021	**6.94**

Power Generated through solar (MW)

FY2017	7.17
FY2018	6.70
FY2019	6.12
FY2020	6.15
FY2021	**12.03**

CSR Spend (₹ in million)

FY2017	25.50
FY2018	31.65
FY2019	49.03
FY2020	46.62
FY2021	**44.44**

Key highlights of FY2021

Raised ₹6,992 million through Qualified Institutional Placement of Equity Shares
During Q4 FY2021, we raised ₹6,992 million through QIP of Equity Shares, at an issue price of ₹389 per share. The proceeds were utilised to meet the minimum public shareholding criteria. The proceeds were brought in the Company by the promoters for repaying ₹890 million of borrowings of the Group, and the balance will be used for business purposes in the future.

Acquired balance stake in Romanian Electronics JV
In December 2020, we acquired the balance 30% stake held by our Joint Venture partner, ELBA SA, Romania in Varroc Lighting Systems Electronics Romania SA (formerly Varroc - ELBA Electronics S.R.L), engaged in the manufacturing and sale of electronics lighting solutions.

Chairman & Managing Director's Perspective

Geared for the future

Dear Shareholders,

The world is going through a major health crisis and a resultant economic slowdown. As we were preparing to leave the pandemic behind, a more intense second wave led to renewed lockdowns, albeit impacts were mostly localised. We had to close our plants during the initial part of the year, and continued to face supply chain issues such as semiconductor shortages especially in the fourth quarter. During these testing times, we focused primarily on protecting our employees, customers and our business operations while extending support to other stakeholders such as suppliers and community to tide over the crisis.

That said, the automotive industry is going through rapid changes, with growing demand for personal mobility solutions that are safe and environment friendly, connected, autonomous and electric. These evolving trends present us significant opportunities, and we are well poisoned to capitalise on them with our extensive manufacturing footprint globally and strong innovation focus.

Performance review

In 2020, the global automotive production fell sharply, by 15.8% Y-o-Y, with the major auto markets of Europe, North America and China declining by 21.6%, 20.5% and 2.0%, respectively. The Indian automobile industry saw negative growth across all vehicle segments with 2W industry registering a 12.8% Y-o-Y decline in production volumes. The 3W segment reported a 46.1% decline in the overall production volume during FY2021.

"Against this extremely challenging backdrop, we reported a 1.63% Y-o-Y increase in revenue to ₹1,13,027 million in FY2021, despite Q1 being a washout quarter. Growth was mainly driven by higher rural demand in India and VLS."

Against this extremely challenging backdrop, we reported a 1.63% Y-o-Y increase in revenue to ₹1,13,027 million in FY2021, despite Q1 being a washout quarter. Growth was mainly driven by higher rural demand in India and VLS. Our newly commissioned VLS plants also contributed to growth. Our India business witnessed a 4.3% Y-o-Y decline in revenue, offset by the lighting business (VLS) with a 5.3% increase.

We saw a strong recovery in two-wheeler and passenger vehicle sales in India. The global (ex. China) passenger vehicle volumes could not sustain its recovery owing due to semi-conductor shortages. As the current demand for chips is continuing to outstrip supply, suppliers are adding capacities. This additional capacity is expected to come on stream in the second half of FY2022.

I am happy to inform you that in FY2021 our India business was able to secure overall net business wins of ₹13 billion equivalent annual revenue and almost ₹11 billion of these orders were new business wins. These orders include our new technology-driven products for EV, such as DC to DC converters, battery management systems and telematics – a sizeable portion came from a new customer, both in two wheelers and passenger vehicles. Our VLS business was able to secure orders worth €210 million, including new business wins of €162 million.

Equity fund raise to meet the Minimum Public Shareholding (MPS) requirements

In Q4 FY2021, we raised ₹6,992 million through a Qualified Institutional Placement (QIP) of Equity Shares, which validates the confidence of our investors in Varroc's business model and growth prospects. We used a part of the net issue proceeds to pay down our borrowings.

We are currently focusing on cost optimisation, positive free cashflow and debt reduction. Also, we are working to control our capex and working capital.

Looking ahead

We continue to believe that the business in India will recover strongly as we come out of the second wave. In our global lighting business, the semiconductor issues are impacting our Europe and North America volumes. We are currently focusing on cost optimisation, positive free cashflow and debt reduction. Also, we are working to control our capex and working capital.

We recognise that there are several structural improvements required in our Lighting Systems business to achieve sustained profitability. We have launched an Integrated Turnaround Program (Project RACE) for VLS business, in Europe. This exercise will start with a comprehensive performance improvement plan for the business over the short to medium term. We expect the benefits of this programme to be visible within the next 12 to 18 months.

We intend to continue to improve our manufacturing processes and systems, as well as invest in new technology areas to further expand our business. Our goal is to bring leading technologies to the mainstream markets with high-quality, cost-competitive solutions.

I express my sincerest gratitude to our customers, employees, bankers and investors for their trust on our abilities even during an exceptionally difficult year. I look forward to your continued support.

Yours sincerely,

TARANG JAIN
Chairman & Managing Director

Combating COVID-19

Adversity strengthens resilience

The onset of the pandemic took a toll on the entire operating landscape. It was imperative to evolve with speed to ensure business continuity as all our manufacturing plants had to be shut down.

To combat this unforeseen crisis, we were propelled to introduce a virtual workspace and reconstruct sections of the office to implement the necessary safety measures. Our proactive measures ensured that were able to become a COVID-ready organisation.

Health of our employees

We provided a long medical docket, wherein all the necessary health regulations were mentioned to all our employees across all our plants. Besides this, considering the shortage of masks, we delivered trailered masks to all the workers in our plants. We also introduced a homeopathy dosage programme, which ensured the necessary medical immunity for all our employees as well as contractual labourers.

As a precautionary measure, we replaced our fingerprint-recognition systems with face-recognition systems for attendance monitoring; also oxygen, pulse rates and temperature of every employee is being monitored twice a day. We also had social-distancing regulatory marks made throughout all our plants and all the goods dispatched from our plants went through multiple rounds of sanitisation.

Seamless transition to work-from-home

Being an auto-engineering and manufacturing Company, we had envisaged the requirement of a work-from-home model. However, to cope with the challenges posed by the pandemic, we had to take adequate measures to ensure that we seamlessly transitioned into the new normal. We delivered computers to all our R&D team members to ensure that they were able to carry out their work without any hindrance. In addition to this, we enabled VPN access on every system to ensure that our employees always had access to the organisation's data. To mitigate the risk of data breach, we invested and improved our cyber security system as well.

Learning and development

At Varroc, the learning never stops. We continued with our comprehensive learning and development programmes virtually; we organised >40 virtual modules and imparted >11,500 hours of training during the year under review. Our quarterly townhalls were also organised virtually to ensure individual engagement with organisational goals.

>40
Virtual modules organised, FY2021

>11,500
Training hours, FY2021

Operating Landscape

Opportunities open up growth avenues

The Indian automotive industry is one of the biggest growth propellers of the economy and provides employment to ~37 million individuals directly or indirectly. The automotive industry was already undergoing a period of recession since the second half of 2018, mainly due to a culmination of factors like muted consumer sentiment due to the economic slowdown, the transformation towards BS-VI norms and the aftermath of the trade wars between the USA, China and the European Union, among others, which was further aggravated with the outbreak of the novel coronavirus.

18,615,588
Total automobiles sold in FY2021 in India

21,545,551
Total automobiles sold in FY2020 in India

Emerging trends

EV adoption
One of the biggest trends in the automotive industry is the global shift towards electric vehicles (EVs), catalysed by favourable government incentives, enforcement of stricter emission targets and the launch of new EV models. The electric vehicle market volume is projected to grow at a CAGR of 35.1% between 2020 and 2026.

(Source: CRISIL)

Rising connectivity in vehicles
Connectivity in vehicles is still in a nascent stage, but the entry of global OEMs in the Indian automobile market has catalysed this process. Consumers can access internet and share data with other devices, both inside and outside the connected vehicle.

Introduction of scrappage policy
The recently launched scrappage policy in annual budget will play a vital role in the recovery of the automobile sector in the post-COVID world. Under this policy, customers will be entitled to incentives to purchase new vehicles in exchange for scrapping their old vehicles. This initiative is projected to be a significant growth driver for automobile sales in India over the foreseeable future.

Other trends
Emerging trends like car subscription models, data monetisation and shared mobility is also projected to drive the demand for automobiles over the foreseeable future.

Why Stop@Nothing

Expanding into high-growth Passenger Vehicle lighting markets

The emerging trends of new mobility and digital transformation is projected to drive demand for automotive lighting and LEDs, aided by a host of factors such as cost, efficiency, luminance and package size. The global exterior and lighting market for passenger vehicles is projected to grow at a CAGR of 6.5% between 2020 and 2026, outpacing the overall market growth of passenger vehicles.

Varroc's formidable position

Since acquiring the global lighting business in 2012, we have focused on deepening our relationships with existing customers and added new OEMs to our customer base. We have strategically undertaken a host of initiatives to increase our presence in the high-potential regions. In addition, we have expanded our manufacturing footprint by setting up five new plants in the past couple of years.

Our strategic acquisitions and collaborations have enabled us to:

- Manufacture Printed Circuit Board Assembly (PCBA) and other electronic equipment through our Romanian Subsidiary
- Cater to the requirements of the increasing local SUV demand and EV segment through our two manufacturing facilities and two R&D centres of our China JV

Outcome of our strategic expansions

- Access to additional markets (South America, Southern Europe, North Africa)
- Increased customer engagement
- Improved ability to service existing customers

€70 mn

VLS' PROJECT PIPELINE as on March 31, 2021

Capitalising on opportunities through strategic expansions

In lieu of the immense market potential of the passenger vehicle segment, aided by the EV boom across the world, we have been strategically expanding our footprint into high-performing markets; this will not only enable us to penetrate these markets, but also cater to the evolving needs of our existing customers.

15%

Projected growth of the passenger vehicle industry in 2022

Period of capital expenditure

We have undergone significant capital expenditure over three years starting from FY2018. Encouraged by potential of the passenger vehicle segment over the foreseeable future and the global order wins, we set up new manufacturing facilities in Morocco, Poland, Brazil and a new line in Czech Republic. Due to the challenges arising out of the pandemic and supply chain disruptions, there has been a significant delay in the ramp up of these facilities.

However, we are confident that once normalcy returns and the supply chain issues are mitigated, we will be in an attractive position to capitalise on the emerging opportunities.

Capital expenditure (₹ in billion)

FY2018	5.8
FY2019	10.9
FY2020	9.8
FY2021	**5.1**

Enhancing technology and R&D capabilities

At Varroc, we are focusing on developing proprietary products based on innovative and cost-efficient for our India business. For the VLS business, we are directing our efforts towards developing cost-effective solutions that can be adapted by our customers for larger product platforms.

R&D highlights, FY2021

15
TOTAL R&D CENTRES

1,106
R&D ENGINEERS

Our R&D centres handle development, design, production and testing, maintenance and repair of production moulds and tools for internal and external customers. It also provides consultancy services during product development, such as mould flow analysis of 3D models. We possess 15 R&D centres out of which 10 are located outside India. Over the years, we have solidified our presence across the two-wheeler, three-wheeler, four-wheeler and passenger vehicles segments. Since all our product development and R&D take place in-house, we are a key technology partner of some of our major customers.

Further, we have been able to establish our presence in emerging areas such as LED lighting, electric cars and autonomous vehicles by leveraging our strong relationships with automotive OEMs having established electric mobility programmes and our experience in complex electrical systems development (such as the Controller Area Network and Local Interconnect Network architecture).

Emission reduction: Our products reduce the energy demand from vehicles through high-efficiency LED headlamps, increased optical system efficiency and light-weighting.

Electrification: We are leveraging new and existing capabilities for increased range through lower energy requirements, adaptable lighting to conserve energy under changing vehicle and environment conditions and communication of vehicle status.

Shared mobility: We are focusing on new exterior lighting mediums and software to offer customised exterior ambient lighting, programmable image projection and personalisation features and applications.

Connectivity: We have expanded our portfolio of electronics, sensors, software and other lighting products in order to integrate with other vehicle sensors and cameras, utilise lighting for Car2x communication (vehicle-to-others communication including, inter alia, vehicle-to-vehicle, vehicle-to-infrastructure and vehicle-to-pedestrian communication) and use cloud storage for personalisation and customisation of features.

R&D focus on emerging trends

- Increased use of electronics
- Stricter environmental regulation
- Electrification
- Autonomous driving
- Connectivity
- Digitalisation and IoT
- Sustainability, reliability and efficiency

R&D focus in India

We have been focusing on providing proprietary products through greater emphasis on innovative and cost-competitive designs. Leveraging our R&D strengths, we are seeking to capitalise on the emerging industry trends like emission reduction, autonomous driving, electrification, shared mobility and connectivity, among others. Besides this, we will also be looking to enter into technological collaborations for the development of catalytic converters and electronic fuel injection systems.

R&D focus of VLS

We have been focusing on designing and developing cost-effective solutions that can be adopted by our customers across large product platforms. We provide cutting-edge technologies pertaining to safety and comfort like matrix LED in the high-end as well as the mass-market segments. Besides this, we have also made significant investments in high-definition lighting systems to enhance safety and communication.

Our R&D centres are approved by the Government of India's Department of Scientific and Industrial Research (DSIR)

Cutting-edge products

Advanced Pleated Seats

Lightweight Front Panel for Trucks

Headlamp Reflector with low-weight Bulk Moulding Compound (BMC)

Telematics Unit

Titanium Valve with CRN coating

Traction Motor

Nurturing and strengthening our businesses

At Varroc, we continuously work on improving the way we operate our businesses and Project RACE is a step towards that direction. Project Rapid Achievement of Competitive Edge (RACE) – Towards Continuous Improvement.

Overview

The outbreak of the pandemic caused major disruptions on the demand side. On the supply front, the unavailability of semi-conductors and chips, coupled with the manufacturing disruptions, had an adverse impact on our business. Besides, we have also been facing several challenges internally like higher raw material costs, lower productivity, underutilised equipment and higher overheads, among others. The result of these market and internal challenges has led to a decline in our VLS EBIT margins.

Project RACE

Over the years, we have undertaken several initiatives internally to address our internal challenges. As a result, our internal initiatives, we have witnessed positive outcomes like improved customer and geographical diversification and increase in our overall market share within global PV lighting, among others. However, it was still not at par with the industry benchmarks.

Project RACE is a 12 to 18 month programme. The project is focused on the turnaround of the Poland and Morocco plants, along with the improvement in the Czech Plants. The exercise aims to reach the minimum EBIT levels, in line with industry benchmarks. A multi-member team is on the ground at various VLS sites and undergoing the diagnostic phase currently. The exercise started in June (soft launch in May itself) and we are seeing meaningful value additions.

Projected outcomes

We believe that the successful implementation of Project RACE, will enable us to match our EBIT levels with the industry benchmarks over the next 12-18 months. This collaboration will focus predominantly on topline as well as operational excellence drivers.

- With regards to the topline, we will work towards optimising our product, customer and pricing mix
- On the operational end, we will evaluate our entire cost structure and work towards optimising our raw material costs, overheads and footprint, along with improving productivity and OEE across the organisation

Increasing revenue in the Indian business

One of our biggest priorities over the foreseeable future is to ensure that we are able to significantly increase our revenues from our business in India. This can be achieved by capitalising on two emerging sectoral realities: the growth of the two-wheeler and EV segments.

Overview

Two-wheeler segment

The Indian two-wheeler segment is one of the largest in the world. Despite the recovery in the second half of the year under review, domestic and export sale of two-wheelers is declined by 12.13% compared to the previous year. This decline could be attributed to the transition to BS-VI norms and the advent of the once-in-a-century pandemic. However, the pandemic brought about the need for protected mobility, which was validated by the increase of two-wheeler domestic volumes in the last two quarters of the year under review. This coupled with factors like improving affordability and lower cost of ownership of two-wheelers, will drive the demand over the foreseeable future.

(Source: SIAM)

1,83,97,111 Units

Two-wheeler total sales volume, FY2021

(Source: SIAM)

Electric Vehicle (EV) segment

The EV landscape in India has undergone a massive shift over the past couple years. The initial scepticism prevailing around EVs has diminished significantly. This change was catalysed by the concerted efforts of the Government as well as the private players, in a bid to tackle the climate change crisis at hand. The Government has also introduced a slew of favourable policies in line with its vision of 100% EVs by 2030.

16,200

Total electric cars as on March 31, 2021

1,800

Total charging stations as on March 31, 2021

(Source: Business Standard)

Varroc's position

Two-wheeler segment

At Varroc, we are focusing on increasing our revenue share from existing customers by:

- Expanding the array of products supplied to them
- Developing customised technological solutions in line with their needs
- Increasing engagements by leveraging our pan-India manufacturing footprint

Electric Vehicle (EV) segment

To capitalise on the opportunities emanating from the ensuing EV boom, we are expanding our offerings by leveraging our strong technology capabilities.

- Entered the high-growth 2W/3W EV component market
- Developed a 48V PMSM traction motor; won order from one of the largest 2W OEMs
- Acquired CarIQ and entered into exclusive manufacturing tie-ups

Favourable government policies

- FAME II subsidies of up to ₹3 lakhs for EVs in commercial use, reduction of GST rate to 5%, waiver of road tax and registration in several states, and income tax benefits of up to ₹1.5 lakhs for individuals
- PLI (Production Linked Incentive) scheme for eligible manufacturers
- Import duty of 15% on traction motors from April 2021, to discourage imports

Governance

Guiding Varroc through rapid change

Tarang Jain

Chairman & Managing Director

C C M M

He holds a Bachelor's degree in commerce from Sydenham College of Commerce and Economics, University of Bombay and a diploma in business administration from University of Lausanne, Switzerland. He has approximately 33 years of experience in the automotive industry. He has been associated with our Company since incorporation and was appointed as the Managing Director in the year 2001 and Chairman of the Company in the year 2020.

Gautam Khandelwal

Independent Director

C C C M

He holds a Bachelor's degree in economics from Mumbai University and holds a general certificate of education examination in economics and history from the University of London. He is currently the executive chairman of Nagpur Power and Industries Limited and the Director on the board of Directors Informed Technologies India Limited. He has been on our Board since 2011.

Vijaya Sampath

Independent Director

C M M

She holds a Bachelor's degree in arts from Madras University and a Bachelor's degree in law from Mysore University. She is registered as an advocate with the Bar Council of Delhi. She is also a fellow member of the Institute of Company Secretaries of India. She attended the advanced management programme of Harvard Business School, USA and a programme on managing strategic alliances conducted by the Wharton School, University of Pennsylvania, USA. Previously, she has been associated with Lakshmikumaran & Sridharan Attorneys as a senior partner and with the Bharti Airtel Limited as group general counsel and Company secretary. She has been on our Board since July 2017.

Marc Szulewicz

Independent Director

M

He holds an engineering degree from the Ecole Nationale Supérieure des Arts et Métiers Paris. He previously worked at Valeo and served as executive vice president in-charge of plastic activities at Carnaud Metalbox, a Crown Cork & Seal Company. He has been on our Board since July 2017.

Vinish Kathuria

Independent Director

M M M

He holds a Bachelor's degree in chemical engineering from Indian Institute of Technology, Delhi and a Master's degree in science from Case Western Reserve University, Cleveland, Ohio. He also holds a Master's degree in business administration from the Duke University's Faqua School of Business, North Carolina. He is the co-founder and president of Rank Software Inc. He has previously been associated with Ericsson India Private Limited, HT Mobile Solutions Limited, Indian Angel Network Services Private Limited and has served on the boards of Phonon Solutions Private Limited and Rank Software Inc. He has been on our Board since February 2018.

Arjun Jain

Whole Time Director

M M M M

He is a Whole Time Director and the President - Electrical Business Unit of the Company. He holds a Bachelor's degree in arts from Vassar College, New York. He was previously associated with Bain and Company India Private Limited. He has been on our Board since August 2018.

Rohit Prakash

Whole Time Director

He holds a Bachelor's degree in science from the Panjab University and master's in business administration from the University of Poona. Before joining our Company, he was chief executive officer SOGEFI Engine Systems India Private Limited. He has been on our Board since April 2020.

- Audit Committee
- Stakeholders' Relationship Committee
- Nomination & Remuneration Committee (N&RC)
- Corporate Social Responsibility Committee (CSR)
- Risk Management Committee
- Finance Committee

C Committee Chairperson

M Committee Member

Risk Management

Our robust risk management framework

We continuously endeavour to leverage the available resources and work towards turning opportunities into reality. During the year under review, the Board of Directors, Management and employees continued to place great emphasis on these objectives through the adoption and monitoring of prudent business plans and monitoring of major risks of the business.

Risks	Potential impact	Mitigation
PRICING RISK	**Pricing pressure from customers may have an adverse impact on our gross margins, profitability and ability to increase our prices**	We believe that we have high pricing power due to a culmination of factors like concentrated market with few players, low lighting cost (as a percentage of car cost), coupled with the importance of technology and design which prevents the entry of new players. Besides this, we are always striving to save production costs to offset price reductions by the customers. These reductions are through improved operating efficiencies, new manufacturing processes, sourcing alternatives and other cost reduction initiatives, among others.
MARKET RISK	**Adverse changes in market prices, including commodity risk and interest rate risk, could lead to losses**	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. 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. We continuously monitor our borrowing levels and the cost of funding these loans to access cheaper sources of credit, commercial paper in particular. 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.
EMPLOYEE RISK	**Timely compliance with the ongoing frequently changing regulatory requirements can become challenging and affect the business**	We constantly strive to keep a tab and understand the changing regulatory standards, to ensure the seamless decision-making processes. We drive business performance through the convergence of risk, compliance processes and control mechanisms to ensure continued operational efficiency and effectiveness.

Risk Management Committee

Name of Member	Position in the Committee
Vijaya Sampath	Chairperson
Vinish Kathuria	Member
Tarang Jain	Member
Arjun Jain	Member
T.R. Srinivasan	Member
Lalit Dua	Member

Risks	Potential impact	Mitigation
CREDIT RISK	**Risk of a counterparty not meeting its obligations could lead to 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; exports vary between 90 to 170 days. Besides this, our customers have high credit ratings, which helps to mitigate credit risk. The customer credit risks are prudently managed by the Group's established policies, procedures and control relating to customer credit risk management. All outstanding customer receivables are regularly monitored and reconciled.
CUSTOMER ATTRITION RISK	**Significant reduction in purchases by any of our major customers, lack of commercial success of a particular vehicle model of which we are a significant supplier, could adversely affect our business.**	We place great emphasis on customer satisfaction and are constantly striving to meet our customer requirements with our QCD programme. We invest heavily in our R&D to ensure that the quality of our products are at par with global benchmarks.
TECHNOLOGY RISK	**Increasing use of information and telecommunication technologies could result in greater security threats to our digital infrastructure, leading to loss of sensitive data or information, legal and regulatory breaches and reputational damage**	We place great emphasis on cyber security and as a result, are constantly in the process of strengthening our cyber security policies, standards, technical safeguard, ongoing monitoring of new and existing threats. We are also focusing on our IT security awareness initiatives which include IT disaster recovery, emergency response and business continuity management capabilities to ensure minimal impact in case of any cyber security event.

Health, Safety and Environment

Working towards a safer planet

At Varroc, health, employee safety and environment are some of our top priorities. Over the years, we have undertaken initiatives to reduce the risk of accidents and prevent environmental pollution through implementing a five-pronged Environment, Occupational Health and Safety (EOHS) plan, aligned with the ISO 14001 and OHSAS 18000 requirements.

Our health and safety process

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 being compliant with the applicable legal norms and SPO's laid down.

Third, we intend to enhance the managerial skills through a systematic approach towards training and development in order to efficiently manage the HSE related activities.

Fourth, we are conscious of the impact of our industrial activities have on the environment and is in the process of continuous monitoring and minimising the environmental impact of our operations.

Fifth, we focus on preventing occupational disease and maintain employee health and safety by maintaining industrial hygiene at workplaces.

The EOHS plan was implemented on a group level and we are committed to monitoring, 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 to monitor the performance of our plants and based on the outcomes strategies are developed to achieve the EOHS objectives, which include:

- Reduce the dependability on conventional energy sources and increasing the use of renewable energy sources
- To certify all our plants for environmental management systems, in accordance with the requirements of ISO 14001 and OHSAS 18001
- Proactively enriching the EOHS culture within key areas of our organisation
- Strong focus on sustainable EOHS system and compliance
- Developing EOHS competency in the organisation
- Proactive focus on forthcoming legal requirements and internal mechanism of audits
- Driving sustainability through various initiatives

Health and employee safety initiatives

We aim to become a zero-accident organisation in the foreseeable future. As on December 31, 2020, our plants in India have been certified for environmental management systems, in accordance with the requirements of ISO 14001 and OHSAS 18001.

Organised safety training for the employees and workers

Conducted mock fire drills

Provided PPE and safety gear to the workers

Organised health check-ups for the employees and workers

Environmental initiatives

We have set up five wind power plants, taking the total number to 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 is sold to Rajasthan Vidyut Board as per the Power Purchase Agreement executed with the Rajasthan and Jodhpur Vidyut Nigams.

We also have a solar plant at Shivaji 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.

5MW

Power generation capacity of solar plant

8.35MW

Power generation capacity of 12 windmills

Corporate Social Responsibility

Their growth, our gift

Corporate social responsibility is not just a statutory obligation for us; it is embedded in our DNA. Since the time we commenced our operations, our CSR vision has been to build a stronger and more inclusive India.

Over the years, we played an active role in addressing the nation's development challenges through innovative and sustainable solutions. We have been working relentlessly to ensure the well-being and upliftment of the marginalised people across the country.

₹44.44 mn

Spend on CSR activities, FY2021

Bibi Ka Maqbara
The Bibi Ka Maqbara is a Tomb located at Aurangabad, Maharashtra, India. It was commissioned in 1660 by the Mughal Emperor Aurangzeb in the memory of his first and chief wife Dilras Banu Begum.

Aurangabad Caves
Aurangabad Caves are located at the North of the Aurangabad, Maharashtra, India and West of the Bibi ka Maqbara (another proposed site). These are a set of Buddhist Caves dating back to the 3rd century A.D.

Adopt a Heritage Project

The Ministry of Tourism in collaboration with Ministry of Culture and Archaeological Survey of India has announced the 'Adopt a Heritage' project for adoption of heritage sites and monuments. This project allows the adoption of heritage sites, monuments and other tourist sites to improve and maintain basic and advanced amenities like public conveniences, drinking water, cleanliness of the monument, accessibility for all, signage, Wi-Fi, cloakroom, illumination and night viewing, snack counters, surveillance systems, tourist facilitation cum interpretation centre and digital interactive kiosk, among others.

This is a unique scheme for promoting Tourism through Sustenance and Development of Heritages under Public Private Partnership under its latest Policy 'Adopt a Heritage - Apani Dharohar Apani Pahechan'. We were awarded the operations and maintenance contract for Bibi ka Maqbara and Aurangabad Caves. We will be assisted and guided by renowned Technological Partner M/s SJK Architects (Ms. Shimul Javeri Kadri).

Based on the critical technical assessment and the vision document developed with SJK Architects, we will undertake the following activities at these monuments:

- **Public conveniences (toilet facilities)**
- **Drinking water kiosk**
- **Ease of Access for all: differently-abled friendly toilets, ramps, wheelchair facility, braille signages, monument models**
- **Cleanliness of site/ Swachh Monument (including complete polythene ban)**
- **Illumination (interior and exterior)**
- **Signages (informational and directional)**
- **Benches**
- **Dustbins**
- **Wi-Fi**
- **App based Multilingual Audio-Guide**
- **Point of Sale Terminal (PoS) machines at ticketing counters**

Kham River Eco-Restoration Project

We undertook Kham River eco-restoration for a stretch of 1.5 km, which would include cleaning of the river, installing trapper for waste material and garbage and constructing and guarding of the green bridge, among others. The selected stretch of 1.5 km falls under Aurangabad Cantonment Board for development as a pilot project. The project involves six green bridges, eco-park and MS metal screens to clean non-degradable solid waste. Till date, we carried out land levelling, improved filtering patches, planted 4,000 saplings, created tube well for sustainability of plants, fencing and fixed the gate as well.

4,000

Saplings planted

The project received the 'Times Green Award' from the Times of India. This project is going to be a benchmark in corporate social responsibility as the government considered it in Detailed Project Report (DPR) of Aurangabad City.

Varroc Vengsarkar Cricket Academy (VVCA)

We collaborated with the veteran cricketer and former Indian cricket team captain, Dilip Vengsarkar, and started a cricket academy at Thergaon, Pune, named Varroc Vengsarkar Cricket Academy (VVCA) in 2008. VVCA has an indoor cricket training facility which is only the third in Maharashtra and seventh in India. In the academy, professional coaches identify talented cricketers from the selection camp every year and these players are provided training free of cost. Along with field training, VVCA also arranges seminars for players as well as coaches by experts in the field. VVCA also organises a cricket tournament - 'Varroc Cup' for various age groups

Major achievements

- **8 players from the academy were selected for Maharashtra State and National matches**
- **Academy player, Ruturaj Gaikwad and Manoj Yadhav, selected for Vijay Hazare Trophy**
- **Academy player, Ruturaj Gaikwad, selected for Ranji Trophy for Maharashtra team**
- **Academy player, Pavan Shah, selected as India U-19 Captain in Asia Cup**

Sports sponsorship

We have been encouraging promoting young sports talents. We provide them with all the necessary support to ensure they are able to compete at national and international level competitions. We have been sponsoring Tanisha Boramanikar, young chess sensation of India, Harshada Nithave, young pistol shooter and Aarya Prasad, young archer for the last three years.

Learn and Earn Scheme at Varroc Academy, Aurangabad

The objective of the scheme is to train the youth in employable skills through industry-oriented training. This scheme provides livelihood and job opportunities, in line with the vision - 'Secure future with their own hands'. We work closely with the Central Government in creating a conducive culture for learning and earning for deserving students. In addition to this, we also support other industries in dissemination of technological knowledge and skills and creates a ready-made pool of quality and disciplined labour. The education Partner for this scheme is TISS (Tata Institute of Social Sciences), which is a prestigious institution in the field of management and social work.

Recognition

Awards and accolades

Mr. Tarang Jain, Chairman & Managing Director, receiving the Delivery Management Award from Mr. V. Sridhar, Senior Director – Purchase, HMSI

Varroc Engineering, Chakan plant received the Runner-up award (Large category) for Excellence in Digital Manufacturing at The Machinist Super Shopfloor Awards 2020

Varroc Engineering, Waluj plant received the Runner-up award (Large category) for Excellence in Quality at The Machinist Super Shopfloor Awards 2020

Varroc Engineering Limited (4Wheeler Lighting division) received award for Excellence in Automotive – Exteriors at The Economic Times Polymers Awards 2021

Statutory reports

Statutory Reports

Management Discussion and Analysis

1. Economic Review

1.1 Global Economy

The economic outlook remains highly uncertain one year since the onset of the pandemic. New virus mutations and the loss of human lives raise concerns, even as growing vaccine coverage lifts sentiment. Patterns of economic recovery have been diverse across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support.

Following a 3.2% contraction caused by the COVID-19 pandemic in 2020 (Source: IMF), global economic activity gained significant momentum; however, it remains well below pre-pandemic projections. The ongoing pandemic continues to shape the trajectory of global economic activity, with severe outbreaks weighing in on growth in many countries. The most recent wave of COVID-19 is now concentrated across some emerging market and developing economies, where more transmissible and virulent strains are spreading and vaccine access remains limited.

The United States is projected to return to end-of-2019 activity levels by the first half of 2021 and Japan in the second half. In the Euro area and the United Kingdom, activity is expected to remain below end-of-2019 levels at least till 2022. Growth in China has moderated as authorities shifted their focus from buttressing activity to reducing financial stability risks. Many other countries, primarily emerging market and developing economies, are experiencing subdued pickup, alongside surges of COVID-19 cases, although recent waves of infections appear to be less disruptive to economic activity than previous ones.

Outlook

According to the International Monetary Fund (IMF), global economy is projected to grow by 6% in 2021, moderating to 4.9% in 2022. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, and it is still largely dependent on the course taken by the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalisation, and the evolution of financial conditions.

However, the IMF also identified a few lingering concerns that could derail the momentum seen in recent data points: surging infections for new variants of the virus and renewed lockdowns, logistical problems with vaccine distribution and uncertainty around vaccine acceptance.

Global growth (%)

Particulars	Actual	Projections	
	2020	2021	2022
World Output	-3.2	6.0	4.9
Advanced Economies	-4.6	5.6	4.4
United States	-3.5	7.0	4.9
Eurozone	-6.5	4.6	4.3
Japan	-4.7	2.8	3.0
United Kingdom	-9.8	7.0	4.8
Other Advanced Economies	-2.0	4.9	3.6
Emerging Markets and Developing Economies	-2.1	6.3	5.2
China	2.3	8.1	5.7

Source: International Monetary Fund (IMF July 21)

1.2 Indian Economy

The Indian economy continues to wrestle with the second wave of the pandemic and operates with cautious optimism. Going by current assessment, the second wave's toll is mainly in terms of the hit to domestic demand. On the brighter side, several aspects of aggregate supply conditions; agriculture and contactless services are holding up, while industrial production and exports surged amid pandemic protocols. Speed and scale of vaccination will shape the path of recovery over the medium term. The economy has the resilience and the fundamentals to bounce back from the pandemic and unshackle itself from pre-existing cyclical and structural hindrances. The real Gross Domestic Product (GDP) growth is projected to have contracted by 7.3% in FY2021 as compared to a growth of 4% in FY2020. (Central Statistics Office)

The Indian Government announced a special economic and comprehensive package of ₹20 lakh crores to fight the pandemic in India. The government recently announced new relief measure, including ₹1.1 lakh crores loan guarantee scheme for COVID-affected sectors, of which ₹50,000 crores has been set aside for the health sector. In the Union Budget 2021-22, capital expenditure for FY2022 is likely to increase by 34.5%. Greater government expenditure is expected to attract private investments, with production-linked incentive scheme providing excellent opportunities. New scrappage policy announced in the Union Budget FY2022 will boost demand for new vehicles after removing old unfit vehicles currently plying on Indian roads. Consistently proactive, graded and measured policy support is anticipated to boost the Indian economy.

Annual GDP growth rate (%)

2017-18	2018-19	2019-20	2020-21
6.6	6.1	4.0	-7.3

Source: Central Statistics Office (CSO)

Outlook

The RBI expects GDP growth of 9.5% in FY2022, supported by a lower base. Domestic economic activity is expected to rebound strongly in the impending fiscal. Rapid vaccination drive, large pent-up demand, various monetary and fiscal measures by the RBI and the central government, investment enhancing measures by the government and better external demand provide an upside to the baseline growth path while surge in infections, new mutants, deviation of the south-west monsoon from the baseline assumption of a normal monsoon, higher crude oil and non-oil commodity prices and global financial market volatility impart downside risks to the baseline growth path.

Overall, economic activity is gathering strength, supported by the recovery in both demand and supply channels, sustained rollout of the vaccination drive, growth-enhancing proposals in the Union Budget and highly accommodative monetary conditions.

2. Industry Review

Automotive sales and production are 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. The pandemic impacted our customers and the automobile and auto ancillary sector, which consequently affected the overall demand of our products. Developments within the automotive industry bears a pronounced effect on our revenues, operations and performance.

Global Lighting Business

The automotive sector was under stress before the pandemic. They were in the midst of transforming their engine offerings to comply with new eco-friendly regulations. The automotive industry was suffering the aftermath of the trade wars between the US, China and the European Union. Additionally, mounting pressures from several cities and countries to reduce the number of vehicles on the road also bore its impact. Car sales and production were already in decline mode when the crisis struck.

In such context, partial or total shutdown of many OEMs' and suppliers' factories negatively impacted most of the auto sales in the first half of FY2021. For example, in Europe, 90% of the factories experienced shutdown of production, including both manufacturers and equipment suppliers (Source: BIPE).

Globally, the COVID-19 crisis impacted OEMs at three levels: supply, demand, and innovation.

As the industry started to recover in Q3 FY2021, shortage of semiconductor in the beginning of Q4 posed as yet another challenge. It has halted assembly lines and OEM plants around the world.

The global exterior lighting market for passenger vehicles is expected to grow at a CAGR of 6.5% between 2020 and 2026 in terms of revenue, outpacing the CAGR of 5.8% in the overall market for passenger vehicles for the same period (Source: Yole).

India Business

The automobile industry is among the most important drivers of Indian economic growth and one with high participation in global value chains. The sector's growth has been an outcome of strong government support, which helped it carve a unique path among the manufacturing industries in India. The automobiles produced in the country uniquely cater to the demands of low- and middle-income groups of population, which makes this sector stand out among the other automobile-producing countries.

The industry is witnessing five megatrends that are expected to transform the segment in a significant way.

Megatrends in the Indian Automotive Industry

Electrical Vehicles(EVs): Focus is shifting to electrical vehicles in a bid to reduce global emissions. According to CRISIL, the electric vehicle market volume is growing fast, at a CAGR of 35.1% between 2020 and 2026.

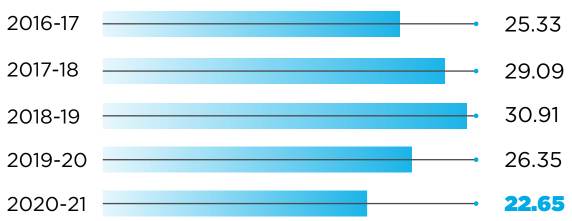
Rising adoption of personal mobility: COVID-19 changed the preferred mode of commute among passengers, with 56% of the population choosing to use a personal vehicle over a public or shared transport as per a recent survey done by PGA Labs. This increased preference for personal mobility is expected to drive vehicle demand in the post-COVID world.

Connected cars: Customers are increasingly opting for intuitive and smart cars, with advanced technology integrations gained in terms of popularity over the past few years.

Scrappage policy: Passenger Vehicles (PVs) that are over 20 years old and commercial vehicles (CVs) that are over 15 years old will undergo fitness tests. This will be a growth driver for the auto industry in terms of boosting new vehicle demand in the replacement market.

Performance
The industry produced 22.65 million vehicles, including passenger vehicles, commercial vehicles, three-wheelers, two-wheelers and quadricycles in FY2021, as against 26.35 million units in FY2020, a decline by 14.04%.

Automobile Production Trends



Source: Society of Indian Automobile Manufacturers (SIAM)

Two-wheeler sector
The Indian two-wheeler production rate witnessed a 12.76% decrease in volume, directly impacting the auto components manufacturing industries. According to SIAM, domestic two-wheeler sales stood at 15.12 million units in FY2021. Domestic sale for scooters during FY2021 dropped 19.51% over that of FY2020, while motorcycle volume dropped by 10.65% in the same period. Two-wheeler exports witnessed a 6.9% decline.

CRISIL research expect scooters to grow at the fastest pace of 13% and 15% over fiscals 2022-2026, followed by motorcycles at 8% and 10%, and mopeds at 4% and 6%. Citing reasons, such as under-penetrated rural market, likely rise in finance penetration levels, improvement in macro-economic factors after subdued growth earlier this fiscal year.

Three-wheeler sector
India is the largest three-wheeler market in the world. Factors such as increase in population, urbanisation and various city improvement plans have led to a surge in demand for three-wheelers in the past few years. But owing to the pandemic, multiple lockdowns and local transport restrictions, domestic sales dropped by 66.06% coupled with a 21.67% decline in export sales in FY2021 compared to FY2020, leading to production of three-wheeler vehicles dropping by 46.06%.

According to CRISIL, domestic sales are anticipated to clock 13% CAGR and exports are likely to record 2%-4% CAGR between fiscals 2022 and 2026. A good monsoon, rural demand and government's capex in rural road infrastructure are potential tailwinds. Push from Ola, Uber and other cab aggregators to expand three-wheeler transportation will drive medium-term passenger vehicle three-wheeler growth.

Outlook
Despite the ongoing challenges posed by COVID-19, the Indian automotive industry seems to be on path towards overcoming most of its challenges. The sector is also benefiting from new tailwinds, such as global supply-chain rebalancing, government incentives to increase exports, and technology disruptions that create white spaces. These developments will help create opportunities at all levels of the automotive value chain.

As the second wave of COVID-19 fades away, automobile sales are expected to normalise from Q2 FY2022 onwards amid the pick-up in vaccination drive, hopes of a normal monsoon and rural recovery. CRISIL research estimates overall PV production to grow at a robust pace of 8-10% CAGR in the next five fiscals and reach ~4.9 million units by FY2026.

3. Company Overview
We are a global tier-1 (tier-1 companies are those that directly supply to original equipment manufacturers) automotive component group. We design, manufacture and supply exterior lighting systems, plastic and polymer components, electricals-electronics components, and precision metallic components to passenger car, commercial vehicle, two-wheeler, three-wheeler and off highway vehicle (OHV) to OEMs directly worldwide.

We commenced operations with our polymer business in 1990 and initially grew organically in India by adding new business lines, such as our electrical and metallic division. Subsequently, we diversified our product offerings and expanded our production capacity through various investments, Joint Ventures and acquisitions. Our 2012 acquisition of Visteon's global lighting business, now known as Varroc Lighting Systems has been among the notable ones. Over the years, we expanded our manufacturing operations to over 12 countries through various acquisitions, including Italy and Turkey. We are the second largest Indian auto component group (by consolidated revenue in 2020, excluding TVS Motors Limited) [Source: CRISIL Research]. We are the sixth-largest global exterior automotive lighting manufacturer and one of the top three independent exterior lighting players (by market share in 2020) [Source: Yole]. Our estimated market share in the global exterior automotive lighting market increased from [4.3%] in 2016 to 5.6% in 2020 (Source: Yole). We ranked 132nd in the 2020 Fortune India 500 list. Our consolidated revenue has grown at a CAGR of 6.60 % between fiscals 2016 and 2021.

We have two primary business lines:

(i) The design, manufacture and supply of exterior lighting systems to passenger cars OEMs worldwide (our 'Global Lighting Business' or VLS), which we undertake through our subsidiaries forming part of the VLS Group

(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, including exports.

We have a global footprint of 43 operating manufacturing facilities across 12 countries and five continents, with 15 manufacturing facilities dedicated to our global lighting business, 26 for our India Business and 2 for our other Businesses.

3.1 Key Highlights FY2021
Product Portfolio Expansion

With the stringent CO2 reduction targets, in adherence with carbon neutrality targets announced by several countries, the automotive industry took a big step forward in vehicle electrification. We have strong capabilities for manufacturing components for two-wheelers, including electronic vehicles (EVs) and lighting for passenger vehicles. We entered into an agreement to commence the manufacturing of traction motors and [controllers] for a leading two-wheelers OEM in India. The other components of two-wheeler and three-wheeler EVs that we intend to manufacture include DC-DC converters and battery management system offerings.

We are collaborating with such OEMs for the development of telematics unit for one of their EV programmes. The other components of two-wheeler and three-wheeler EVs, we intend to manufacture include DC-DC converters and battery management system offerings. Additionally, through our Global Lighting Business, we are a supplier to OEMs manufacturing EVs in North America and Europe.

Qualified Institutional Placement of Equity Shares

During Q4 FY2021, our Company issued 17,974,870 Equity Shares of ₹1 each at an issue price of ₹389 per Equity Share, aggregating to ₹6,992 million, including securities premium of ₹6,974 million. The issue was made through Qualified Institutional Placement (QIP) in terms of chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, Section 42 and other relevant provisions of the Companies Act, 2013. The proceeds (net of issue expenses) were utilised to meet the Minimum Public Shareholding criteria. The proceeds were brought in the Company by the promoters for repayment of borrowings of the Group (₹890 million) and remaining unutilised amount is held as bank balances within the Group as on March 31, 2021.

Increase in stake in Romanian Electronics JV

In December 2020, we acquired 30% stake held by our Joint Venture partner, ELBA SA, Romania in Varroc Lighting Systems Electronics Romania SA (formerly known as Varroc- ELBA Electronics S.R.L), engaged in the business of manufacturing and sale of electronic lighting solutions for captive consumption of VLS and other OEMs. This is an additional step taken with a focus on vertical integration.

4. Research and Development
Our key focus is on the development of in-house R&D capabilities to manufacture technologically advanced automotive components in cost-effective ways so that sophisticated technological solutions are made accessible to the larger mass markets.

Most of our R&D centers are located in low-cost geographies, such as India, the Czech Republic, Poland, Romania and Mexico, which, we believe will give us a growing competitive advantage. As on December 31, 2020, our Global Lighting Business has 621 engineers, deployed across 11 R&D centers, located in the Czech Republic, India, China (through our China JV), Mexico, Germany, Italy, Romania, the United States of America and Poland. Our R&D focus has allowed us to establish a presence in key emerging technologies (such as LED) as well as a broad portfolio of headlamp technologies (such as matrix LED and laser), as well as to supply products for electric vehicles.

162
Valid patents held

146
Patents filed in relation to our Global Lighting Business

As on March 31, 2021

We ensure that our product portfolio represents our technological capabilities. With respect to our Global Lighting Business, we seek to ensure energy efficiency by reducing CO_2 emission and power consumption reduction, better style and personalisation with larger lit surface at the front and back ends, seamless light integration in bumper, maximum lighting with minimum impairment for other drivers and identification of vulnerable road users as well as better communication, including signal projection and HD pixel projection. The focus of our technology development is on introducing affordable technology to the mass market while making a short-term return on investment.

Our R&D efforts within the India Business seeks to capitalise on opportunities and emerging trends, such as the increased use of electronics, stricter environmental regulations, emission reduction and light-weighting of vehicles, as well as the emergence of new technologies, such as multi-point fuel injection. We seek to develop proprietary products with continuous focus on innovative and cost-effective designs that enable emission reduction, autonomous driving, electrification, shared mobility and connectivity. For instance, considering the anticipated boom in the EV market, we have developed manufacturing capabilities for EVs and have commenced manufacturing traction motors and controllers, battery management systems and on-board chargers to EVs. We developed BS VI compliant fuel injections systems, ECU and E-Carburetors and have transitioned all existing Magneto and speedometer products to BS VI. We also developed the telematics systems with GPS/GSM and Bluetooth modules, capable of creating multiple use cases to enhance safety and comfort of the end user. It facilitates analysis of data from the vehicle to predict what optimum vehicle usage.

5. Financial Review

Consolidated Profit and Loss

(₹ in million)

Particulars	FY2021	FY2020	% Change
Net Sales	1,13,027.51	1,11,218.70	1.63
EBITDA	5,239	9,197	(43.04)
EBITDA Margin	4.6%	8.3%	
Net Profit	-6,286.41	25.06	

Consolidated Balance Sheet

(₹ in million)

Particulars	FY2021	FY2020	% Change
Share Capital	152.8	134.8	13.34
Reserves and Surplus	30,126.3	29,910.5	0.72
Net Worth	30,560.9	30,294.5	0.88
Net Borrowings	22,527.2	24,736.8	-8.92
Fixed Assets	53,262.9	52,448.2	1.55

Profit and Loss Account

Net Sales: Our consolidated revenue from operations increased by 1.63% to ₹1,13,027 million in FY2021 from ₹1,11,218 million in FY2020, in spite of the global lockdown imposed in most of Q1. Growth was driven by higher rural demand in India and VLS in the period post lockdown. The new plants in VLS contributed to growth. Our Global Lighting Business witnessed a growth of 5.33% to ₹75,514 million in FY2021 from ₹71,692 in FY2020 and India Business declined by 4.30% to ₹36,466 million in FY2021 from ₹38,105 million in FY2020.

Other Income: Other income increased by 28.53% to ₹1,271 million in FY2021 from ₹989 million in FY2020. The increase was due to the positive impact of net gain on disposal of property, plant and equipment (which majorly comprises settling insurance claim on VLS Pune plant, which saw fire-induced disruption), government grant and increase in miscellaneous income.

Raw Material Cost: Raw material cost (Cost of materials consumed + Changes in inventories of work-in-progress and finished goods) increased by 7.52% to ₹75,116 million in FY2021 from ₹69,862 in FY2020, due to increase in revenue and as a result of change in product mix in our Global Lightning Business, where there was a revenue jump in the Global Lighting Business due to supply chain disruptions as a result of COVID-19.

Employee Benefit Expense: Our employee benefit expenses reduced by 0.47% to ₹16,296 million in FY2021 from ₹16,372 million in FY2020 as a result of voluntary salary contribution in Q1 and grant received in Czech Republic against employee benefit expenses incurred during the lockdown imposed during the pandemic.

Finance Cost: This increased by 16.86% to ₹1,626 million in FY2021 from ₹1,392 million in FY2020, primarily due to increased borrowings as a result of working capital cycle disturbance and cash losses due to COVID-19.

Depreciation and Amortisation Expense: Our depreciation and amortisation expense increased by 22.30% to ₹8,951 million in FY2021 from ₹7,319 million in FY2020, as a result of the impact of capital expenditure incurred in the last two years, across our manufacturing facilities located in the Global Lighting Business (Mexico, Poland and Czech expansion) and in the India Business, as well as increased amortisation on account of significant capitalisation of engineering cost incurred on various programmes.

Operating Profit and Margins: The operating profit, as measured by EBITDA for the year reduced to ₹5,239 million in FY2021 from ₹9,197 million in FY2020. EBITDA declined by 43.04% due to lockdown during the first quarter and subsequent supply chain disruptions.

Net Profit and Margins: Due to higher material cost, increased Int Exp, depreciation and amortisation Exp net profit for the year (after exceptional items) reduced to -₹6,286 million, against ₹25 million in FY2020.

Balance Sheet

Net Worth: Net Worth increased to ₹30,560 in FY2021, which was ₹30,295 in FY2020 due to issue of Equity Shares through Qualified Institutional Placement (QIP)

Net Borrowing: Net borrowing reduced to ₹22,527 million in FY2021 from ₹24,737 million in FY2020, majorly due to repayment of short-term borrowings from funds raised from QIP

Debt to Equity Ratio: Debt to equity reduced from 0.82 in FY2020 to 0.74 in FY2021

Fixed Assets: Investment in fixed assets increased to ₹53,263 million in FY2021 from ₹52,448 million in FY2020, due to capital expenditure on new capacity during the year.

As required for listed companies by the Securities and Exchange Board of India (SEBI), below table gives the key financial ratios.

Key Financial Ratios

Particulars	FY2021	FY2020	% Change
Debtors Turnover Ratio	8.28	9.12	-9.21
Inventory Turnover Ratio	6.64	7.34	-9.46
Interest Coverage Ratio	-2.28	1.35	-269.13
Current Ratio	0.70	0.69	1.29
Debt Equity Ratio	0.74	0.82	-9.62
EBITDA Margin	4.64%	8.27%	-43.95
Net Profit Margin	-5.56%	0.02%	-24783.98
Return on Net Worth	-20.57%	0.08%	-24966.76

Explanation for variation of 25% or more in Key Financial Ratio

Interest Coverage Ratio: Interest coverage ratio has declined from 1.35 to -2.28 due to reduction in EBIT margin and increase in interest cost.

EBITDA Margin: The Operating profit Margin, as measured by EBITDA for the year has reduced to 4.64% in FY2021 from 8.27% in FY2020. EBITDA Margin declined by almost 43.95% major reason was disruptions in Q1 due to lockdowns, supply chain disruptions and other cyclical issues due to the outbreak of virus.

Net Profit Margin: Net Profit Margin reduced from 0.02% to -5.56% majorly due to higher material cost, increased interest expenditure, depreciation & amortisation expenditure and exceptional tax expenditure of ₹1,077.76 crore.

Return on Net Worth: Return on Net worth has reduced from 0.1% to -20.6% majorly due to decline in net profit.

Product wise Revenue

Division	Lightning	Electrical	Polymer	Metallic	Other
%	66.2%	10.4%	13.1%	5.4%	4.9%

6. Internal Control System and Adequacy

We have in place adequate internal controls and systems, commensurate with the size, scale and complexity of our operations. Key concern areas are proactively identified by Internal Audit function for reviews, which contributed to achieving efficiency in operation and optimum utilisation of our resources. The Internal Audit function evaluates and assesses the processes defined for effective monitoring and compliance with applicable laws and regulation. The Internal Audit function adhere to audit plans approved by the Audit Committee, which maintains flexibility in providing timely support by conducting management audits. Adequate and appropriate coverages are given to all functions and plants. A close watch is kept on closure of audit observations and status reports are circulated to the management for their required actions. Significant audit observations and corrective actions, with status of closure, are presented to the Audit Committee of the Board.

7. Environment, Health and Safety

Health, employee safety and the environment remain among our key priorities and is seen as a right and a responsibility for 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, based on the requirements of ISO 14001 on OHSAS 18000.

- Working to bring down instances of serious accidents by pre-empting hazards
- Making efforts in preserving our industrial assets by achieving compliance with all applicable legal norms
- Adopting a systematic approach towards training and development and helping enhance our managers' skills to efficiently manage the programmes
- Staying conscious of the impact of our industrial activities on the environment, and actively monitoring and minimising the environmental impact of our operations
- Preventing occupational diseases and maintain employee health and safety by upholding industrial hygiene at workplaces

The EOHS plan has been 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 to monitor performance of our plants and review strategies developed to achieve our EOHS objectives. Some of them include:

- Reducing dependability on conventional energy sources by switching to renewable energy sources
- Getting all our plants in India certified for environmental management systems, in accordance with the requirements of ISO 14001 and OHSAS 18001
- Enriching the EOHS culture within key parts of our organisations actively
- Focusing strongly on the sustainability of our EOHS system and compliance with it
- Developing EOHS competency in our organisation
- Focusing on upcoming legal requirements and internal mechanism of audits
- Driving sustainability through various initiatives

Employee Well-being and Safety

We are committed to maintaining high standards of workplace health and safety and we regard it among our fundamental responsibilities as an employer. We aim to become a zero-accident organisation. Mishaps at our facilities, including emissions 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 go by the tenets of our Occupational Health and Safety certification regarding safety of our people and property.

Environment

In addition to starting initiatives to improve workplace employee safety, we are also working to reduce the environmental impact of our operations.

As part of our environment commitment, we established five 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, configured with the 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. Power generated at Supa and Satara is consumed by our plants located at Waluj and Aurangabad and 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 also have 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.

8. Cautionary Statement

The Report comprises facts and figures, along with our assumptions, strategy, goal and intentions as a business, which may be 'forward-looking' statements. Our actual results and performance may differ considerably from those presented herein. Our performance is dependent upon global and national economic conditions, price of commodities, business risk, change of government's rules and regulations, among others.

Board's Report

Dear Shareholders,

The Directors of your Company take pleasure in presenting the 33rd Annual Report on the business and operations of the Company together with Financial Statements for the Financial Year ended March 31, 2021.

FINANCIAL RESULTS & APPROPRIATION

The summarised financial results for the year ended March 31, 2021 and for previous year ended March 31, 2020 are as follows:

Particulars	Standalone		CONSOLIDATED	
	Financial Year 2020-21 (In million)	Financial Year 2019-20 (In million) Restated	Financial Year 2020-21 (In million)	Financial Year 2019-20 (In million)
Revenue from operations	25,617.78	24,981.50	1,13,027.53	1,11,218.68
Total Income	26,731.93	25,716.95	1,14,298.51	1,12,207.54
Profit before finance cost, depreciation, exceptional items and extraordinary expenses (EBITDA)	**3,476.23**	**3,163.98**	**5,595.19**	**9,105.17**
Less: Depreciation and amortisation	1,543.62	1,437.64	8,950.93	7,318.64
Less: Finance cost	561.10	450.75	1,626.29	1,391.67
Add: Share of Net Profit of Investment accounted for using the equity Method	0.00	0.00	356.28	(91.65)
PROFIT/(LOSS) BEFORE TAX	**1,371.51**	**1,275.59**	**(4,982.03)**	**394.86**
Less: Current tax expense	247.55	194.22	614.64	490.75
Less: Short/(excess) provision for tax relating to prior periods	(37.47)	(26.01)	(180.25)	(146.49)
Less: Deferred tax	239.81	68.70	869.99	25.54
NET PROFIT/(LOSS) FOR THE YEAR	**921.62**	**1,038.68**	**(6,286.41)**	**25.06**
Less: Profit attributable to Non-controlling interest	0.00	0.00	32.66	23.15
Profit attributable to owners of the Company	**921.62**	**1,038.68**	**(6,319.07)**	**1.91**
Add: Profit brought forward from last year	3,093.23	2,957.34	12,064.13	13,147.02
Add/(Less): Re-measurements of defined benefit plans, net of tax	18.15	(17.01)	52.04	205.91
Less: Impact of change in accounting policy	0.00	(19.83)	0.00	66.22
Add: Transfer from Debenture Redemption Reserve (DRR)	0.00	200.00	0.00	325.00
Appropriation: Dividend on Equity Shares	0.00	943.68	0.00	943.68
Tax on Dividend	0.00	122.27	0.00	193.99
Balance carried forward in Balance Sheet	**4,033.00**	**3,093.23**	**5,797.10**	**12,064.14**

OPERATIONS AND PERFORMANCE

On consolidated basis for the Financial Year 2020-21, your Company achieved total revenue of ₹1,14,298.51 million resulting in a growth of about 1.86% over its revenue of ₹1,12,207.54 million of the previous Financial Year ended March 31, 2020. Net Loss for the year was at ₹6,286.41 million as against Net Profit of ₹25.06 million of previous year.

On Standalone basis for the Financial Year 2020-21, your Company achieved total revenue of ₹26,731.93 million resulting in a growth of about 4% over its total revenue of ₹25,716.95 million of the previous Financial Year ended March 31, 2020. The profit after tax for the year ended March 31, 2021 at ₹921.62 million as against Net Profit of ₹1,038.68 million of previous year. .

The Industry outlook and operational performance of the Company has been comprehensively covered in the Management Discussion and Analysis Report. The Management Discussion and Analysis Report for the year under review, as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **(the "Listing Regulations")** is presented in a separate section forming part of the Annual Report.

COVID-19

COVID-19 impact has been comprehensively covered in the Management Discussion and Analysis Report.

CHANGE IN THE NATURE OF BUSINESS

The Company is engaged in the business of manufacturing automotive components. There has been no change in the business of the Company during the Financial Year ended March 31, 2021.

DIVIDEND AND TRANSFER TO RESERVE

With a view to conserve resources for expansion of business, your Directors have thought it prudent not to recommend any dividend for the Financial Year under review. Further, no transfer to the General Reserve before declaration of Dividend has been considered.

CREDIT RATING

During the year under review, the credit rating of the Company was reaffirmed by ICRA at 'ICRA AA- ' for long-term loan while removing it from Ratings watch with negative implications, negative outlook was assigned and 'ICRA A1+' for short-term loan and commercial paper programme.

SHARES AND SHARE CAPITAL

INCREASE IN THE AUTHORISED SHARE CAPITAL

In accordance with the Scheme of Amalgamation of Varroc Lighting Systems (India) Private Limited ("VLSIPL") with Varroc Engineering Limited and their respective Shareholders, upon the Scheme becoming effective from December 7, 2020, the Authorised Share Capital of the Company stands increased from ₹50,00,00,000 to ₹50,45,00,000 and Accordingly, the Clause V(1)(a) of the Memorandum of Association has been substituted as under:

The Authorised Share Capital of the Company is ₹50,45,00,000/- (Rupees Fifty Crores Forty-Five Lakhs only) comprising of:

(a) ₹25,00,00,000 (Rupees Twenty-Five Crores only) divided into 25,00,00,000 Equity Shares of ₹1/- each;

(b) ₹45,00,000 (Rupees Forty-Five Lakhs only) divided into 4,50,000 Equity Shares of ₹10/- each; and

(c) ₹25,00,00,000 (Rupees Twenty-Five Crores only) divided into 25,00,00,000 Preference Shares of ₹1/- each

Further, the Board of Directors at their meeting held on June 4, 2021 approved and has resolved to seek approval from the shareholders at the ensuing Annual General Meeting, for re-classification of Authorised Share Capital of ₹45,00,000, by sub-dividing 4,50,000 equity shares having face value of ₹10/- each into 45,00,000 equity shares having face value of ₹1/- each and consequent amendment to Memorandum of Association of the Company.

INCREASE IN ISSUED AND PAID-UP SHARE CAPITAL

The Company has issued and allotted of 1,79,74,870 Equity Shares of face value ₹1/- each to eligible Qualified Institutional Buyers (QIBs) at an issue price of ₹389/- per Equity Share (including a premium of ₹388/- per Equity Share), aggregating to ₹6,992.22 million. Pursuant to the said allotment, the Equity Share Capital of the Company increased from ₹13,48,11,530 consisting of 13,48,11,530 Equity Shares to ₹15,27,86,400 consisting of 15,27,86,400 Equity Shares.

The Company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Companies Act, 2013 ("Act") read with Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is required to be furnished.

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.

The Company has not issued any Equity Shares under any 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.

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 the Companies (Share Capital and Debentures) Rules, 2014.

MINIMUM PUBLIC SHAREHOLDING COMPLIANCE

In terms of the requirement of continuous listing as stipulated under Rule 19(2)(b) and Rule 19A of the Securities Contracts (Regulation) Rules, 1957 and Regulation 38 of the Listing Regulations, the Company was required to increase its Public Shareholding to at least 25% within three years from listing of its Equity Shares on Stock Exchanges, i.e., from July 5, 2021.

In order to comply with Minimum Public Shareholding (MPS) requirements on March 25, 2021, the Company has issued and allotted 1,79,74,870 Equity Shares of ₹1/-each at the issue price of ₹389/- per Equity Share (including a premium of ₹388/- per Equity Share), aggregating to ₹6,992.22 million to eligible Qualified Institutional Buyers through Qualified Institutional Placement (QIP) in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and Sections 42 and 62 of the Companies Act, 2013 and the rules made thereunder, as amended. These Equity Shares are listed and admitted to dealings on the BSE and NSE from March 30, 2021.

Consequently, the Company is now compliant with the MPS requirements. The breakup of Promoter and Public Shareholding of the Company post aforesaid allotment of shares is provided below:

Category	No. of Equity Shares	% of total paid-up share capital
Promoter and Promoter Group	11,45,89,800	75.00
Public	3,81,96,600	25.00
Non-promoter Non-public	-	-
Total	**15,27,86,400**	**100.00**

Pursuant to Regulation 32 of the Listing Regulations, there has been no deviation/ variation in the utilisation of proceeds as mentioned in the objects stated in the Placement Document dated March 25, 2021, in respect of the Qualified Institutional Placement of the Company.

DEPOSITS FROM PUBLIC

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the Balance Sheet.

ACQUISITIONS OF SHARES

Varroc-Elba Electronics S.R.L

In December 2020, VarrocCorp Holding B.V., Netherlands ("VCHBV"), Wholly Owned Subsidiary of the Company acquired the balance 30% stake in Varroc-Elba Electronics S.R.L. ("Varroc Elba") held by the other JV Partner, ELBA SA, Romania. By virtue of the said acquisition of shares, Varroc Elba became a 'Wholly Owned Subsidiary' of VCHBV and in turn a 'step-down Subsidiary' of the Company. Upon acquisition of shares, the name of Varroc Elba has been changed to Varroc Lighting Systems Electronics Romania SA.

AMALGAMATION

VARROC LIGHTING SYSTEMS (INDIA) PVT. LTD. WITH VARROC ENGINEERING LTD.

The Hon'ble National Company Law Tribunal, Mumbai Bench vide its Order dated November 2, 2020 has approved the Scheme of Amalgamation of Varroc Lighting Systems (India) Pvt. Ltd. (a Wholly Owned Subsidiary) ("VLSIPL") with the Company under Sections 230 to 232 and other applicable provisions, if any, of the Act. The Certified copy of the Order of the Hon'ble NCLT was filed by VLSIPL and the Company with the Registrar of Companies, Pune and the Registrar of Companies, Mumbai on December 5, 2020 and December 7, 2020 respectively, making the Scheme effective.

As set out in the Scheme of Amalgamation, approved by the Hon'ble NCLT, all the assets and liabilities including obligations of VLSIPL have been transferred and have become assets and liabilities of the Company with effect from the Appointed Date i.e. April 1, 2020.

TEAM CONCEPTS PVT. LTD. WITH VARROC POLYMERS PVT. LTD.

The Hon'ble National Company Law Tribunal, Mumbai Bench vide its Order dated April 23, 2021 has approved the Scheme of Amalgamation of Team Concepts Pvt. Ltd. (a Wholly Owned Subsidiary) ("TCPL") with Company's Subsidiary Varroc Polymers Pvt. Ltd. ("VPPL") under Sections 230 to 232 and other applicable provisions, if any, of the Act. The Certified copy of the Order of the Hon'ble NCLT is awaited and being filed by VPPL with the Registrar of Companies, Mumbai for making the Scheme effective.

Further, the proceedings are pending before Hon'ble National Company Law Tribunal Bengaluru Bench.

SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE COMPANIES

The Company has 21 subsidiaries including step-down subsidiaries and 3 Joint Ventures Companies as on March 31, 2021. During the year, the Board of Directors have reviewed the affairs of material subsidiaries.

Further, the report on the performance and financial position of each of the Subsidiary and Joint Venture companies and salient features of their Financial Statements are provided in the prescribed Form AOC-1 and it forms part of the Financial Statements of the Company. Details of subsidiaries of the Company and their performance are covered in Management Discussion and Analysis section forming part of this Report.

Further, pursuant to the provisions of Section 136 of the Act, the Standalone and Consolidated Financial Statements of the Company and separate Audited Financial Statements in respect of Subsidiaries, are available on the website of the Company https://varroc.com/investors/financial-results.

The details of changes in Company's subsidiaries, Joint Venture or associate Companies, for the FY2021, are as following:

Companies which have become Subsidiaries: Varroc Lighting Systems Electronics Romania SRL (previously known as Varroc-Elba Electronics SRL)

Companies which have ceased to be Subsidiaries of the Company: Varroc Lighting Systems (India) Pvt. Ltd. (pursuant to the amalgamation with the Company)

Companies which have become a Joint Venture of the Company: Nil

Companies which have ceased to be a Joint Venture of the Company: Varroc-Elba Electronics S.R.L

Entities which have ceased to be an Associate of the Company: Nil

Entities which have become an Associate of the Company: Nil

In accordance with Section 129(3) of the Act, the Consolidated Financial Statements of the Company including its Subsidiaries, Associate and Joint Venture Companies form part of the Annual Report.

DIRECTORS

Mr. Naresh Chandra (DIN: 0027696), decided to demit the office of Chairman and Director of the Company w.e.f. November 10, 2020, due to personal reasons, after having been at the helm of the Varroc Group since its inception, for more than three decades. On behalf of the Company, the Board of Directors acknowledged Mr. Naresh Chandra's outstanding wealth of experience, expertise and insights in steering the Varroc Group spanning over 30 years, first as a Founding Director & Shareholder and then as the Chairman of the Board of Directors of the Company. Further, the Board has placed on record its deep appreciation and gratitude for his immense contribution and valuable guidance during his association with the Company.

The Board of Directors approved the appointment of Mr. Tarang Jain (DIN: 0027505), as Chairman and Managing Director of the Company w.e.f. November 10, 2020.

RETIREMENT OF DIRECTORS BY ROTATION

As per provisions of the Act and the Articles of Association of the Company, Mr. Arjun Jain (DIN: 07228175), Whole Time Director of the Company, being the longest in the office amongst the Directors liable to retire by rotation, retires from the Board by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. The requisite details of re-appointment of Mr. Arjun Jain are mentioned in the Explanatory Statement under Section 102 of the Act.

CONTINUATION OF DIRECTORSHIP OF MR. MARC SZULEWICZ, INDEPENDENT DIRECTOR

In terms of Regulation 17(1A) of the Listing Regulations, the Members of the Company, at the 32nd AGM of the Company, accorded their consent by way of a Special Resolution for continuing the directorship of Mr. Marc Szulewicz, Independent Director of the Company, who attained the age of 75 years during FY2021.

KEY MANAGERIAL PERSONNEL

In terms of the provisions of Section 203 of the Act, as on March 31, 2021, the Company has the following Key Managerial Personnel:

(a) Mr. Tarang Jain, Chairman and Managing Director

(b) Mr. Arjun Jain, Whole Time Director

(c) Mr. Rohit Prakash, Whole Time Director

(d) Mr. T. R. Srinivasan, Group Chief Financial Officer

(e) Mr. Ajay Sharma, Group General Counsel and Company Secretary

STATEMENT OF DECLARATION BY INDEPENDENT DIRECTORS

The Board of Directors have received declarations from all the Independent Directors of the Company confirming that they meet with criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act, and under Regulation 16(1)(b) read with Regulation 25 of the Listing Regulations.

During the year, the Independent Directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees, commission and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board of Directors and Committee(s) of the Company. The details of remuneration of the Independent Directors are mentioned in the Corporate Governance Report.

MATERIAL CHANGES BETWEEN THE END OF FINANCIAL YEAR AND THE DATE OF THIS REPORT

There has been no material change and commitment affecting the financial position of the Company which occurred between the end of the Financial Year to which these Financial Statements relate and the date of this report.

NUMBER OF MEETINGS OF THE BOARD

The Board of Directors met 8 (Eight) times during the Financial Year 2020-21 and the details of same are given in the Corporate Governance Report forming part of this Annual Report. The intervening gap between consecutive meetings was not more than one hundred and twenty (120) days as prescribed by the Act and the Listing Regulations.

AUDIT COMMITTEE

The Audit Committee of the Board is comprises of four Directors viz. Mr. Gautam Khandelwal (Chairman of the Committee), Mrs. Vijaya Sampath and Mr. Vinish Kathuria, Independent Directors and Mr. Tarang Jain, Chairman and Managing Director.

FORMAL ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD, ITS COMMITTEES AND DIRECTORS

The Nomination and Remuneration Policy of the Company, *inter alia*, specifies that the Board will conduct performance evaluation of the Board as a whole and its Committees and the individual Directors. Performance evaluation of Directors shall be done by the entire Board (excluding the Director being evaluated) based on recommendations of the meeting of Independent Directors. The Nomination & Remuneration Committee is responsible for implementation of the methodology followed by the Company in this regard.

The performance of the Board was evaluated by the Board Members after seeking inputs from all the Directors on the basis of criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc. The performance of the Committee(s) was evaluated by the Board after seeking inputs from the committee members on the basis of criteria such as the composition of committees, effectiveness of committee meetings, etc.

The above criteria are based on the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India. In a separate meeting of Independent Directors held on 04.06.2021, the performance of Non-Independent Directors, the Board as a whole and the Chairman of the Company was evaluated, taking into account the views of Executive Directors and Non-Executive Directors.

The Board and the Nomination and Remuneration Committee reviewed the performance of the individual Directors on the basis of criteria such as the contribution of the individual Director to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution, inputs in meetings, etc.

In the Board meeting that followed the meeting of the Independent Directors and meeting of Nomination and Remuneration Committee, the performance of the Board, its Committees and Individual Directors was also discussed. Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

In adherence to the provisions of Section 134(3)(e) and 178(1) & (3) of the Act, the Board of Directors upon recommendation of the Nomination and Remuneration Committee, have approved a policy on Director's appointment and remuneration, including, criteria for determining qualifications, positive attributes, independence of a Director and other matters. The said Policy is uploaded on the Company's website at https://varroc.com/investors/corporate-governance/

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Act, the Board of Directors, based on the representation received from the Management to the best of their knowledge and ability, confirm that:

(a) in the preparation of the Annual Accounts for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) 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 as at March 31, 2021 and of the profit of the Company for the year ended on that date;

(c) 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;

(d) the Directors have prepared the Annual Accounts on a going concern basis;

(e) 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

(f) 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.

AUDITORS & AUDITORS REPORT

a) Statutory Auditor

In accordance with Section 139 of the Act, M/s. S R B C & CO LLP, Chartered Accountants (Firm Registration No. 324982E/E300003), were appointed as Statutory Auditors by the Shareholders of the Company at the 30th Annual General Meeting held on September 5, 2018, to hold office for a period of 5 years from the conclusion of that AGM till the conclusion of the 35th AGM of the Company to be held in calendar year 2023.

The Ministry of Corporate Affairs, vide its Notification dated May 7, 2018, has dispensed with the requirement of annual ratification of Auditor's appointment by the Shareholders. Hence, the approval of the Members for the ratification of Auditor's appointment is not being sought at the ensuing AGM.

There are no further qualifications, reservation or adverse remark on the Financial Statements for the year ended March 31, 2021. The Notes on the Financial Statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditor's Report is enclosed with the Financial Statements.

The total fees for all the services paid by the Company and its Subsidiaries, on a consolidated basis, to the Statutory Auditor, and all entities in the network firm/network entity of which the Statutory Auditor is a part, is given below:

Particular	As at March 31, 2021 (₹ in million)
Fees for audit and related services (includes QIP fees)	118.27
Other fees	5.66
Reimbursement of expenses	0.91
Total	**124.84**

b) Cost Auditor

As per the provisions of Section 148 of the Act and the Companies (Cost Records and Audit) Rules, 2014 ("the Rules"), the Company is maintaining Cost Records with respect to certain products of the Company.

Based on the recommendation of the Audit Committee, the Board, at its meeting held on June 04, 2021, has appointed M/s S. R. Bhargave & Co., (Partnership Firm based in Pune – Registration No. M – 000218), Cost Accountants as Cost Auditor of the Company for the Financial Year 2021-22 at a remuneration of ₹6,00,000 (Rupees Six 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 2021-22 has been proposed at the forthcoming Annual General Meeting. The Cost Audit Report for the Financial Year 2019-20 was filed within the stipulated period.

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, the Board of Directors had appointed M/s Uma Lodha & Co. (C.P. No. 2593), Company Secretary in Practice, Mumbai as Secretarial Auditor to undertake the Secretarial Audit for the Financial Year 2021-22.

The Secretarial Audit Report of the Company and Varroc Polymers Private Limited ("VPPL"), a material Subsidiary of the Company, for the Financial Year 2020-21 is annexed herewith and forms an integral part of this report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the Financial Year 2020-21, the Auditors have not reported any matter under section 143(12) of the Companies Act, 2013, therefore no detail is required to be disclosed under section 134(3)(ca) of the Companies Act, 2013.

Annual Secretarial Compliance Report

As per Regulation 24A of the Listing Regulations, the Company has undertaken an audit for the Financial Year 2020-21 for all applicable compliances as per SEBI Regulations and Circulars/Guidelines issued thereunder.

The Annual Secretarial Compliance Report has been submitted to the Stock Exchanges.

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.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENT

Particulars of loans given, Investments made, guarantees given and securities provided, along with the purpose for which the loan or guarantee or security is proposed to be utilised by recipient, are provided in notes to Standalone Financial Statements.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/ arrangements/ transactions entered by the Company during Financial Year with related parties were on arm's length basis and were in the Ordinary course of the business. During the year, the Company had not entered into any contract/ arrangement/ transaction with Related Parties which could be considered material for which Shareholders' approval is required in accordance with the policy of the Company on materiality of Related Party Transactions. Thus, provisions of Section 188(1) of the Act, are not applicable to the Company.

Pursuant to the provision of applicable Listing Regulations, all Related Party Transactions are placed before the Audit Committee for approval including the transaction under Section 188 of the Act and Regulation 23 of Listing Regulations, i.e. the transactions which are unforeseen and within the limit of ₹10 million. Prior omnibus approval of the Audit Committee has been obtained for transactions which are foreseen and repetitive in nature. The transactions entered into pursuant to omnibus approval are presented to the Audit Committee by way of a statement giving details of all Related Party Transactions on a quarterly basis.

The Policy on Related Party Transactions as approved by the Board is uploaded on the Company's website. Your Directors draw attention of the members to Note No. 47 to Standalone Financial Statement which sets out Related Party Disclosures.

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 Act, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are provided in **Annexure – I** to this report.

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 - II**.

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 Shareholder(s), on request.

The said statement is also available on your Company's website, the weblink to which is https://varroc.com/investors/financial-results/

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as prescribed under the Listing Regulations. A separate section on Corporate Governance, forming a part of this Report, and the requisite certificate from Uma Lodha & Co., practicing Company Secretaries, confirming compliance with the conditions of Corporate Governance, is attached to the report on Corporate Governance.

The Chairman and Managing 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.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In accordance with the requirements of Section 135 of the Act, your Company has constituted a Corporate Social Responsibility (CSR) Committee. The CSR Committee comprises of Mr. Tarang Jain (Chairman and Managing Director), Mr. Gautam Khandelwal (Independent Director) and Mr. Arjun Jain, Whole Time Director.

The brief terms of reference of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate Governance Report. Your Company has also formulated a Corporate Social Responsibility Policy (CSR Policy) which is available on the website of the Company at https://varroc.com/investors/corporate-governance/. During the year under review the Company was required to spend ₹25.52 million towards CSR activities against which, the Company has spent ₹27.81 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 – III** to this Report.

WHISTLE-BLOWER POLICY/VIGIL MECHANISM

The Company has adopted a Whistle-Blower Policy to provide a formal mechanism to the employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. The Policy provides for adequate safeguards against victimisation of employees who avail of the mechanism and also provides for direct access to the Audit Committee. It is affirmed that no personnel of the Company have been denied access to the Audit Committee. The Whistle-Blower Policy has been uploaded on the website of the Company at www.varroc.com.

RISK MANAGEMENT

The Company has constituted a Risk Management Committee which has been entrusted with the responsibility to assist the Board in (a) approving the Company's Risk Management Framework and (b) Overseeing all the risks that the organisation faces such as strategic, financial, liquidity, security, regulatory, legal, reputational and other risks that have been identified and assessed to ensure that there is a sound Risk Management Policy in place to address such concerns/risks. The Risk Management process covers risk identification, assessment, analysis and mitigation. Incorporating sustainability in the process also helps to align potential exposures with the risk appetite and highlight risks associated with chosen strategies.

The Audit Committee has additional oversight in the area of financial risks and controls. Major risks identified by the business and functions are systematically addressed through mitigating actions on continuing basis. The Company has adopted a Risk Management Policy in accordance with the provisions of the Act and Regulation 21 of the Listing Regulations.

The Company has with the professional help carried out ERM exercise detailing 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.

INTERNAL CONTROL SYSTEM

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.

Based on the framework of Internal Financial Controls and compliance systems established and maintained by the Company, the work performed by the Internal, Statutory and Secretarial Auditors and external consultants, including the audit of Internal Financial Controls over financial reporting by the Statutory Auditors and the reviews performed by the management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's Internal Financial Controls were adequate and effective during FY2021.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL

There are no significant material orders passed by the Regulators/Courts which impact the going concern status of the Company and its future operations.

DISCLOSURE REQUIREMENT AND OTHER STATUTORY INFORMATION

DIVIDEND DISTRIBUTION POLICY

As per Regulation 43A of the Listing Regulations your Company has formulated a Dividend Distribution Policy which is available on the website of the Company at weblink https://varroc.com/investors/corporate-governance/ under the tab Policies.

COMPLIANCE WITH SECRETARIAL STANDARDS

Your Directors confirm that the Secretarial Standards issued by the Institute of Company Secretaries of India have been complied with.

BUSINESS RESPONSIBILITY REPORT

The 'Business Responsibility Report' of your Company for the Financial Year 2020-21, as required under Listing Regulations, is annexed as **Annexure IV** to this report.

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 Act. These policies will be reviewed by the Board at periodic intervals. Some of the key policies that have been adopted are as follows:

(i) Policy for Board Diversity, Appointment, Remuneration, Training and Evaluation of Directors and Employees

(ii) Material Subsidiary Policy

(iii) Policy for determination of materiality threshold for Disclosure of Events

(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 and Senior Management Personnel

(ix) Enterprise Risk Management Policy

(x) Whistle-Blower Policy

(xi) Dividend Distribution Policy.

The above policies are available on the Company's website on the link https://varroc.com/investors/corporate-governance/

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

a) TRANSFER OF UNCLAIMED DIVIDEND/ DEBENTURE REDEMPTION/DEBENTURE INTEREST TO IEPF:

As required under Section 124 of the Act, no Unclaimed Dividend/ Debenture redemption/ Debenture Interest is lying with the Company for a period of seven years. Accordingly, no amounts have been transferred to the Investor Education and Protection Fund established by the Central Government.

b) TRANSFER OF SHARES TO IEPF

As required under Section 124 of the Act, no Equity Shares, in respect of which dividend has not been claimed by the members for seven consecutive years or more, have been transferred by the Company to the Investor Education and Protection Fund Authority (IEPF) during the Financial Year 2020-21.

EXTRACT OF ANNUAL RETURN

As required under Section 92(3) and 134(3)(a) of the Act 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 https://varroc.com/investors/financial-results/

OCCUPATIONAL HEALTH & SAFETY

We have implemented an integrated environmental, Heal and Safety Management System at all manufacturing plants globally that is consistent with the ISO 14001 Environmental and OHSAS 18001 Health and Safety Management Systems. This system is certified in compliance with these standards by a third-party registrar, Bureau Veritas. Key to the success of this programme is establishing annual objectives and targets and implementing improvement programmes to reduce safety risks and environmental aspects of our operations.

To ensure compliance with occupational regulations and controlling occupational hazards that put risk to employees' life, property and the environment by investing in safe and eco-friendly technologies.

- Communication – Actively informing stakeholders about the EHS guidelines
- Collaboration – Working as a team (CFT) to provide and implement EHS practices
- Commitment – Promoting the EHS culture with dedication, proactively

DISCLOSURE AS REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company is committed towards providing a healthy working environment to all its employees and thus does not tolerate any discrimination and/or harassment in any form. The Company has in place a robust Policy on Prevention of Sexual Harassment at Workplace, which is in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. All employees (permanent, contractual, temporary, trainees) along with consultants are covered under this Policy. The Policy is gender neutral.

The employees are sensitised from time to time on matters relating to prevention of Sexual Harassment. Awareness Programmes are conducted at unit levels to sensitise the employees to uphold the dignity of their colleagues at workplace. Further, the Company has constituted an Internal Complaints Committee to, inter alia, prevent Sexual Harassment at the workplace and redress the complaints received in this regard.

Details of complaints with allegations of Sexual Harassment for Financial Year 2020-21 are as follows:

a) Number of complaints pending as on April 1, 2020 – Nil

b) Number of complaints filed during the Financial Year – Nil

c) Number of complaints disposed of during the Financial Year – Nil

d) Number of complaints pending as on March 31, 2021 – Nil

GENERAL

Your Directors confirm that no disclosure or reporting is required in respect of the following items as there were no transactions/events on these items during the year under review:

1. No application was made or any proceeding is pending under the Insolvency and Bankruptcy Code, 2016 during the year in respect of your Company.

2. There was no one time settlement of loan obtained from the Banks or Financial Institutions.

GREEN INITIATIVES

In commitment to keep in line with the Green Initiative and going beyond it to create new green initiations, an electronic copy of the Notice of 33rd Annual General Meeting of the Company shall be sent to all Members whose e-mail addresses are registered with the Company/Depository Participant(s).

ACKNOWLEDGMENT

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 its performance and growth.

The Directors also thank the Government of India, the Government of various states in India, the Government of various countries and the concerned Government Departments and agencies for their co-operation.

By Order of the Board of Directors
For **Varroc Engineering Limited**

Tarang Jain
Chairman and Managing Director
(DIN: 00027505)

Place: Pune
Date: June 4, 2021

Annexure - I

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 MARCH 31, 2021

A) CONSERVATION OF ENERGY

Energy usage optimisation programmes continue at all the manufacturing units. These have resulted in saving cost as well as specific energy consumption.

During the year under review, the windmills installed by the Company at Satara and Supa in Maharashtra State and Badabagh in Rajasthan State, generated 69,43,737 units of electricity (including 53,35,442 units of captive consumption). The Company earned an income of ₹48.19 million (including captive consumption ₹39.00 million) from the generation of wind power.

Further, Solar Plant installed by the Company at Shivaji Nagar, Dist. Dhule, Maharashtra State generated 63,76,371 units of electricity. The said units were captively consumed by the Company. The total amount of captive consumption is ₹44.93 million.

The Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilisation and maximum possible savings of energy is achieved.

i) THE STEPS TAKEN OR IMPACT ON CONSERVATION OF ENERGY:

The Company has constantly been emphasising an optimisation of energy consumption in every possible area in all plants. Various initiatives are being identified at periodic intervals and after careful analysis, measures are being taken to minimise the consumption of energy by optimum utilisation of energy consuming equipments. During the year under review, measures were initiated/ adopted for conservation and optimise utilisation of energy at various plants & units of the Company:

• Capacitors and new APFC maintained to sustained power factor to unity	• Temperature controller installations • Automatic timer control installed
• Milling hydraulic power pack modification into intermediate power pack	• Power cost reduction by optimising HT Batch size-Gear Counter, Gear Final & Shaft drive
• Compressed Air line leakages identification and rectification	• Auto lights provided with Motion sensor
• Variable Frequency Drivers (VFD's) provided for Grinding Machines, Cooling Towers, Air Compressor and Hydraulic power packs	• Reduced electrical power consumption of Cooling Tower pump motor & Sprinkler Motor having over capacity
• Ideal machine trip circuit modification in grinding machine	• Interlocks provided in CNC, SPM & Grinding machines
• Chiller installation for water cooling instead of Cooling Tower cooling on IH machine.	• Utilisation of exhaust hot air and re-use by modification in duct for Annealing Oven
• Daily monitoring of power usage throughout the year	• Overhead water line system • Optimasation of colling tower
• Use of LED indication lamps on new machine & control panels	• Water level auto off controller for water tank pump
• Heater jackets provided to moulding machines	• HCLS fan arrangement made instead of wall mounting fans
• Use of DM water in foam plant (reduction in heating)	• Normal air gun replacement with Low pressure air gun
• Replacement of Ion boiler in place of heating element in washing furnaces	• Installation on new energy efficient compressures in utility area
• Use of solar water treatment in foam plant	• Load balancing at each phase • CGC pump replacement
• Application of Thermo-ceramic paint for Uni-therm 1 furnace and CGC to avoid heat loss	• Oil mist controller interlocking with machine control on in all Grinding Machines
• Harmonic filter to be installed to control harmonic	• CGC Indo Gas Generator Reaction Pump motor replaced
• SFQ Indo-gas generator blower motor replaced with lower capacity	• Converted oil transfer pump into gravity flow

ii) THE STEPS TAKEN BY THE COMPANY FOR UTILISING ALTERNATE SOURCE OF ENERGY

- Installation of roof top solar at various plants of the Company under OPEX model implemented by CMES Infinity Private Limited.
- The Company is further exploring the use of green source power like solar and/ or wind for its plant operations as an alternative source to thermal power

(iii) THE CAPITAL INVESTMENT ON ENERGY CONSERVATION EQUIPMENTS

The Company is in continuous process for making efforts on energy conservations and such measures includes efforts at planning stage of expansion or modernisation or replacement etc. (as the case may be). Accordingly, such expenses are considered in Annual Budgets and cost. Considering size and extent of operations and turnover of the Company, any specific capital investment detail(s) in this respect, will be insignificant to segregate and separately report.

B) TECHNOLOGY ABSORPTION

Research & Development:

We place a significant emphasis on continual R&D in order to improve and expand our product offering. We invest in our R&D for each of our business lines, including through investments in testing equipment, software, human resources and R&D centres. We aim to respond to innovation in our industry to ensure strong value proposition for our lighting and electrical products. For example, integration of software to products is becoming more important for us as the markets are becoming more technology - focused. Moreover, nimbleness and continued efforts placed on supporting customers' new product development Programmes are critical to winning new business to ensure that we retain our share of customers' business.

Our R&D efforts at our India Business seek to capitalise on emerging trends such as the emergence of EVs, the increased use of electronics, stricter environmental regulations, digitalisation, fuel efficiency, emission reduction and light-weighting of vehicles, as well as the emergence of new technologies such as multi point fuel injection. For instance, given the expected growth in the EV markets, we are developing manufacturing capabilities in relation to components of EVs. We have an arrangement for supply of traction motors and controllers with a leading two-wheelers OEM in India.

(i) R&D (Electrical BU)

Research & Development plays a pivotal role in delivering innovative products, new technologies and in supporting operational improvements to increase productivity. EBU R&D team works closely with customer R&D to capture the voice of customers to enable first time right design and to achieve highest level of customer satisfaction.

EBU R&D mainly focuses on scanning the market, developing new products and efficient processes, innovating to disrupt the existing market or finding new markets and maintaining current market by improving products and reducing cost. Aligning with the major mega trends in automotive, EBU R&D broadly focuses on the following areas:

- Electrification and efficiency
- Connectivity and smart Human Machine Interface
- Powertrain and Efficiency
- Switches, Sensors and actuators

EBU R&D technology road map for next five years is centered around these focus areas. EBU R&D organisation is structured based on improved organisational alignment and decision making, retention of technical talents, efficient processes, communication and innovation. It is structured into Advance Engineering working on future innovative products and technologies, product teams working on New Product Development (NPD), processes and maintaining the market by improving the products. It also includes the Center of Competency (CoC) for Software, Hardware/power electronics, engineering quality, safety and product testing, supporting new product development across product lines.

The Company has invested significantly on R&D building state of art of the product development software tools, prototyping labs to realise the concepts faster and state of art of product testing laboratories. The product testing laboratory is very well equipped to take up all types of environmental, EMI/EMC and performance testing for Varroc's electronics & electrical products. Recently a state of art dyno set up is also added to test traction motor and controller in house catering e-mobility trend.

The CarIQ acquisition in 2019 is a major step towards emerging as a leader in connectivity & data analytics products. Accessibility of technology specially connectivity, cloud and data from CarIQ combined with EBU R&D's endeavour to use data analytics through machine learning will bring new use cases for our existing products as well. Strategic Joint Venture between Dell'orto and Varroc to design and develop fuel injection system for Indian market is a significant step resulting Monalisa ECU for 2-wheeler and 3-wheeler market. EBU R&D structure is also aligned to work with these acquisition and Joint Ventures.

Technology Imports in last three year

Year of Technology Import	From	Details of Technology	Status
2018	DELL'ORTO, S.p.A, Italy	We received the complete design (hardware + software) of a fuel injection ECU for a one- or two-cylinder Spark-Ignited engine. To meet BS VI, stringent emission norms must be met. This technology can meet the desired emission norms for Indian market.	Absorbed. Customer project is in progress.

To ensure Varroc's competency in global automotive market the R&D process is frequently evaluated and updated. EBU R&D has already introduced Auto SPICE and "Design For Six Sigm" a (DFSS) as part of development process.

Advance Engineering

EBU R&D has also invested significantly in Advance Engineering, focusing on future product development aligning Varroc's vision to become India's leading Tier-1 supplier in Automotive components. Advance Engineering is focused on developing new products in the areas of E-mobility and connectivity. There is a significant push to move towards power electronic intensive products and system know-how to bring Varroc's USP in our new products. This team is also focusing on leveraging technologies such as machine learning in data analytics to develop special use cases in Automotive to address issues such as safety.

New acquisition ready products such as highly efficient traction motor, Traction motor ECU, DC-DC converter and Integrated Starter Generator also establishes new expertise in technology within R&D. Expertise in electromechanical design and analysis of traction motor design, thermal management of high wattage products such as traction motor ECU and DC-DC converter, power electronics design in traction motor ECU and DC-DC converter, engine dynamics and system know-how in ISG are some examples.

Advance Engineering has also introduced a lean process of stage gate approach for innovating new products and smooth transfer of products to product team to scale up. Advance engineering lab is also well equipped with people and tools to explore new products and system level experimentation to feed the team with new insights on design aspects. Stage gate process also provides focus on applying for patents and bringing USP for Varroc's products.

Advance Engineering is also responsible for driving innovation culture in the organisation to capture innovative ideas from the employees and feed them into the idea funnel.

Intellectual Property

EBU R&D also gives lots of impetus in protecting Varroc's IP, based on the insight gained from new product or technology development. In the year 2020/21 R&D has filed/ready to be filed 15 patents and registration. We also have a target to achieve 30 patents next year. This year we also launched Eureka to capture employees' ideas against specific problem statements. This will also help us to increase new patents and product ideas.

Some important patents are as given below.

- Turn by turn indicator on a segmented display
- Stator assembly of an n-phase traction motor
- Universal LED project head lamp without cut off field for high and low beams
- Design of glittering effect without any additional part within the lamp
- Throttle position sensor with integrated start switch
- Integrated handlebar with single ECU to control multiple components such as light, blinker and switches
- A handlebar switch with rotary module
- Multifunction CAN based switch assembly for operating controls in a vehicle
- Four design registrations on seat and light designs

R&D (Metallic BU)

MBU R&D focusing on BS-VI emission norms, obsolescence of ICEs, advent of Hybrid and EVs. It is on part of R&D to embrace upon newer avenues of doing and exceling in Business.

Metallic R&D broadly focuses on following technical Agendas:

- Market disruptions due to advent of EVs
- Emission norms: more torque per gram of transmission
- NVH norms at 10,000 to 25,000 RPM (in EVs) & Gearing reduction ratio.
- Enhancing Product Portfolio
- Enhancing Process Portfolio
- Emphasis new engineering capabilities like Master CAM Mill3D & Lathe, CAE simulation, Kiss soft gear software's in transmission and Ricardo's VALDYN & FEARCE, ABAQUS softwares
- Developing flexible & versatile production lines
- Differentiated Products: Increased precision
- Product with high fatigue & yield strength

MBU R&D structure accordingly is aligned to meet organisational goals. MBU has two major business verticals i.e. Transmission & Engine Valves, reporting to MBU R&D head. Focus has been on, development & retention of technical skills, strong team building, organisational know-how level enhancement, developing up stream processes, spirit of innovation.

The R&D has a highly associated with Design, testing & validation, simulation & digital validation methodology CAE Analysis team.

MBU R&D Centre:

State-of-the-art Metallic R&D center (Transmission & valves) is scheduled to setup in VEL-VII adjacent to Registered Office of the Company located at Aurangabad.

Year of Setup	Technology	Details of Technology	Status
2020-21	Prototyping Cell for transmission gears + shafts & Valve	Appx. 1500m^2 for office & test centre having: Key gear cutting processes viz. hobbing, shaving, shaping, skiving, bevel gear cutting, profile grinding & honing. Service tool room to support concept/development of jigs & fixture, preventive & detective type poka-yoke.	As an initial phase, R&D cell started its serve for NPD projects. 35% of the work had progressed till date.

Technology absorbed:

I) Transmission:

Year of Setup	Technology	Details of Technology	Status
2019-20	Gear grinding	Generative gear grinder from Liebherr LCS300. Output meeting DIN: 5-7. Part up to 20 Kg., dia. 300mm, module 7mm max.	Catered automotive and Non-automotive business by technology enhancement. Presently Supporting Aerostar, Ducati & RE customers

II) Valves:

Year of Setup	Technology	Status
2019-20	Development of Engine Valve test rig system to simulate the performance of Engine valves in the 4-Cylinder Engine.	Project accomplishment resulted in Customer delight.

Advance Engineering

Advance Engineering is focused on developing new products in the areas of changes in application market & increasing product complexity with customer quality requirements.

- For transmission components to meet stringent quality requirements of PVs & EVs close to DIN: 5 level, precise pitch errors, gear flank surface pattern, micro waviness and harmonics. Accordingly, upstream technology viz. precision forging & extrusion, internal & external gear profile grinding & honing, shot peening, power skiving are the technologies of interest.
- Shaving cutter re-sharpening facility developed in-house. It has not only improved on time cutter availability but also provided revenue of ₹74 lakhs cumulative of FY2019 & FY2020, this is in addition to re-sharpening cost saving of ₹95 lakhs in the corresponding period.
- Lighter valve and valve train components can be used to improve the engine performance by reducing noise and friction as result, Metallic R&D team developed titanium alloy valve with weight reduction by 40% and further weight reduction by 7-8% with hollow titanium.
- Presently metallic R&D is working on development of thermometric sodium filled hollow valves which supports in measuring the actual temperature of valve in engine head & ultimately support for sodium filled valves design necessity.
- Presently metallic R&D is working on development of hollow head sodium filled valves which has even more heat carrying capacity and weight reduction than the hollow stem sodium filled valves.

(iv) Expenditure on R & D:

(₹ in million)

Particulars	2020-21
Capital	31.12
Recurring	582.81
Total	**613.93**
Total R&D expenditure as a Percentage of total turnover	**2.40%**

C) FOREIGN EXCHANGE EARNINGS & OUTGO

Actual Foreign Exchange used and earned:

Sl. No	Item	Amount (₹in million)
A	Used for:	
1	Capital Goods	548.21
2	Raw Materials	1,533.71
3	Components, Stores & Spares	10.86
4	Foreign Travels	4.07
5	Consultancy Charges	46.86
6	Royalty	26.91
7	Others	209.44
	TOTAL	**2,380.06**
B	Earned:	
1	Exports	2,259.47
2	Others	250.52
	TOTAL	**2,509.99**

R&D (Polymer BU)

Varroc PBU has established an international level R&D infrastructure, which includes Tier down and benchmarking facility, Proto shop, well equipped Tool Room, Test Lab, Analytical lab. The R&D team is equipped with Various Software tools Like Catia, UG, Mould Flow, DVA. Various Inhouse developed tools and Process Likes the Varroc Product Development Framework have been effectively used to deliver projects on Time and Quality. To achieve the First Time Right target various templates and Macros have been developed to Enable Automation and reuse of Knowledge.

Various projects Like Change Management, VAVE Framework, Ignitor Groups have been implemented to contentiously Improve on the process front. We continue to explore developing advance infrastructure like 3D printing, Digital twining to reduce development time & cost.

Varroc PBU has achieved a Key Milestone this year by successfully delivering FSS capabilities in the 4W Passenger Car segment working with Global OEMS. R&D has worked closely with multiple Global 4W OEMs in Design and developing new products and Systems. Taking up the responsibility to delivers Products like Door Trims, Consoles, Cladding, Glow boxes, Instrument Panel have been successfully designed and developed Internally. Many of these vehicles are now Launched and successfully running at End Customer end.

PBU is Working with Global 2W Manufacturers for developing would class quality products in Mirrors, Body Parts, Air Filters and Seats. 13 Patents filled as on date and 3 under discussion. In the 2W Indian Market we focus on new Innovations and Patents to give value add to our customer keeping in mind the stringent cost Targets. Various VAVE and Benchmarking initiatives help R&D to come up with Ready to Launch products which are highly appreciated by our customers.

Looking at the cost sensitive India Market PBU R&D is focused on various technology Innovations to enable cost and Weight reduction. Various Advance Materials are being studied and tested for recyclability and the environment friendly aspect of Plastics. Technology tie-ups with Various RM suppliers are under discussion. Varroc is working Along Side the OEMs to reduce the Carbon footprint and come up with Environment friendly Materials. Keeping In Mind the Electric Vehicle focus PBU is focused to develop various Light weighting components and Metal to Plastic conversion to achieve better fuel efficiency and Mileage.

We strongly believe on the collaboration and Partnership strategy for Innovation and Research. In this context, Various International collaborations are in place to Enable technology transfer and Product Enhancement. We Also leverage the partner D&D capabilities to balance the Cyclic workload during the Product development life cycle. long term strategic partnerships are under discussion to enable new Products and technologies launch for India Market. Subject Matter Experts are being onboarded to bring Nitsch Knowhow and resolve complex technology Problems.

Annexure - II

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 FY2021 as well as the percentage increase in remuneration of each Director, Chief Financial officer, Company Secretary is as under:

Name of the Director/ KMP	Designation	Remuneration (₹in million)	Ratio to Median Remuneration	% change in Remuneration over previous year
Mr. Naresh Chandra	Chairman	0.37	NA	*
Mr. Tarang Jain	Chairman and Managing Director	26.29	5670%	(50%)
Mr. Arjun Jain	Whole Time Director	10.22	2203%	(15%)
Mr. Gautam Khandelwal	Independent Director	2.94	NA	(13%)
Mr. Marc Szulewicz	Independent Director	2.97	NA	23%
Mrs. Vijaya Sampath	Independent Director	3.50	NA	Nil
Mr. Vinish Kathuria	Independent Director	3.40	NA	Nil
Mr. Ashwani Maheshwari	CEO & Whole Time Director	1.39	NA	@
Mr. Rohit Prakash	Whole Time Director	16.09	3469%	$
Mr. T. R. Srinivasan	Group Chief Financial Officer	20.43	4405%	3%
Mr. Ajay Sharma	Group General Counsel & Company Secretary	8.92	1924%	#

* Mr. Naresh Chandra has resigned during FY2021.
@ Mr. Ashwani Maheshwari has resigned during FY2021.
$ Mr. Rohit Prakash was appointed as Whole Time Director during FY2021.
# Mr. Ajay Sharma was appointed as Group General Counsel and Company Secretary during FY2020
In case of Mr. Naresh Chandra, Mr. Ashwani Maheshwari, Mr. Rohit Prakash & Mr. Ajay Sharma % of change in remuneration over previous year is not applicable.

Note: For above calculation, remuneration includes siting fee and commission. Commission relates to the Financial Year ended March 31, 2021 will be paid during FY2022.

The median remuneration of employees of the Company during FY2021	4,63,739
Percentage increase in median remuneration in the FY2021	29.75%
Number of Permanent employees on the roll of the Company as on March 31, 2021	3,634
Average percentile increase in Salary of employees other than Managerial Personnel	^
Average percentile increase in remuneration of managerial personnel	^

^ Due to Covid-19 pandemic, there was no increase in remuneration to Managerial Personnel and other than Managerial Personnel during FY2021.

B. 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.

C. 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 - III

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2020-21

1. Brief outline on CSR Policy of the Company

Our Company's Vision is to create more sustainable environment. Our commitment to CSR emanates from the business mission that guides us to set new standards in good corporate citizenship. Therefore, our CSR programmes have been structured to be made sustainable, measurable, replicable, and scalable which will enable us carve out a reputation for being one of the most socially and environmentally responsible companies. The CSR Policy of your Company outlines the approach and direction given by the Board, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of CSR activities as well as formulation of the annual CSR action plan. Further, Company shall continue identify and undertake all its CSR programmes/ projects/ activities under the following broader thrust areas of CSR:

- Skill Development and Vocation based education
- Waste management and Sanitation
- Environmental sustainability
- Women and Youth empowerment
- Protection of national heritage, art and culture
- Rural Development Projects
- National Missions

2. Composition of the CSR Committee:

Sl No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Tarang Jain	Chairperson	2	2
2	Mr. Gautam Khandelwal	Member	2	2
3	Mr. Ashwani Maheshwari*	Member	2	-
4	Mr. Arjun Jain$	Member	2	2

Note:
*- Resigned from the Committee w.e.f. April 29, 2020
$- Inducted in the Committee w.e.f. April 29, 2020

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company:

Composition of CSR Committee: https://varroc.com/investors/board-of-directors-committees/

CSR Policy : https://varroc.com/investors/corporate-governance/

CSR projects : https://varroc.com/beyond-business/social-programs/

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report)

Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the Financial Year, if any.

Not applicable

6. **Average net profit of the Company as per section 135(5) :** ₹1,276.20 million

7. **(a) Two percent of average net profit of the Company as per section 135(5) :** ₹25.52 million

   (b) Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years: Nil

   (c) Amount required to be set off for the Financial Year, if any : Nil

   (d) Total CSR obligation for the Financial Year (7a+7b-7c): ₹25.52 million

8. **(a) CSR amount spent or unspent for the Financial Year:**

Total Amount Spent for the Financial Year. (₹ in million)	Amount Unspent (₹ in million)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer.	Amount	Date of transfer.	Date of transfer.
27.81	Nil	-	-	Nil	-

   (b) Details of CSR amount spent against ongoing projects for the Financial Year: Not applicable

   (c) Details of CSR amount spent against other than ongoing projects for the Financial Year:

(1) Sl No.	(2) Name of the Project.	(3) Item from the list of activities in Schedule VII to the Act	(4) Local area (Yes/No)	(5) Location of the project	(6) Amount spent in the for the project (₹ in million)	(7) Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ in million)	(8) Mode of Implementation - Direct (Yes/ No).	(9) Mode of Implementation - Through Implementing Agency (Name and CSR registration number)
1	Skill Development	(ii)	Yes	Aurangabad, Pune Maharashtra	25.51	NA	No	Deccan Management Consultants Finishing School*
2	Skill Development	(ii)	Yes	Aurangabad, Pune Maharashtra	1.65	NA	Yes	Direct
3	Support for COVID relief work	(xii)	Yes	Pune, Maharashtra	0.50	NA	No	Mahratta Chamber of Commerce Industries and Agriculture*
4	Eradicating hunger, poverty and malnutrition & Support for COVID relief work	(i) & (xii)	PAN India		0.10	NA	No	The Akshaya Patra Foundation*
5	Support for COVID relief work	(xii)	Yes	Pune, Maharashtra	0.05	NA	Yes	Direct
Total					27.81			

Note: CSR Registration Number of implementation agencies are not received by the Company as on the date of this report.

   (d) Amount spent in Administrative Overheads : Nil

   (e) Amount spent on Impact Assessment, if applicable : Not applicable

   (f) Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹27.81 million

   (g) Excess amount for set off, if any :

Sl no.	Particular	(Amount in million)
1	Two percent of average net profit of the Company as per section 135(5)	25.52
2	Total amount spent for the Financial Year	27.81
3	Excess amount spent for the Financial Year [(2)-(1)]	2.29
4	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	Nil
5	Amount available for set off in succeeding Financial Years [(3)-(4)]	2.29

9. **(a) Details of Unspent CSR amount for the preceding three Financial Years:** Not applicable

   (b) Details of CSR amount spent in the Financial Year for ongoing projects of the preceding Financial Year(s): Not applicable

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the Financial Year (asset-wise details) :**

   (a) Date of creation or acquisition of the capital asset(s) : None

   (b) Amount of CSR spent for creation or acquisition of capital asset : Nil

   (c) Details of the entity or public Authority or beneficiary under whose name such capital asset is registered, their address etc. : Not Applicable

   (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset) : Not Applicable

11. **Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5) :** Not applicable

By Order of the Board of Directors
For **Varroc Engineering Limited**

Tarang Jain
Chairman and Managing Director
Chairman of CSR Committee
(DIN: 00027505)

Place: Pune
Date: June 4, 2021

Annexure - IV

BUSINESS RESPONSIBILITY REPORT

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L28920MH1988PLC047335
2.	Name of the Company	Varroc Engineering Limited
3.	Registered address	Plot No. L-4, MIDC, Waluj Aurangabad (M.S.) - 431136
4.	Website	http://www.varroc.com
5.	E-mail id	investors@varroc.com
6.	Financial Year reported	FY2021
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Automotive Components
8.	Sector(s) that the Company is engaged in (industrial activity code-wise)	
	Name and description of main product/services Flywheel Magneto Steel Forged Products Automotive Lamps	NIC Code of the product/service 3607 3440 3758
9.	Total number of locations where business activity is undertaken by the Company	
	(a) Number of International Locations (Provide details of major 5)	Nil
	(b) Number of National Locations	The Company has 15 plants in India at below locations: i. Waluj and Shendra, Dist. Aurangabad (Maharashtra) ii. Chinchwad, Chakan and Maval, Dist. Pune (Maharashtra) iii. Sriperumbudur Taluk, Dist. Chennai (Tamil Nadu) iv. Halol, Dist. Panchmahal (Gujarat) v. Pantnagar (Uttarakhand)
10.	Markets served by the Company – Local/State/ National/International	We serve Local/State/National/International markets.

Section B: Financial Details of the Company

	Financial details of the Company	FY2021 (Standalone) (₹ in million)
1.	Paid up Capital (INR)	₹152.79
2.	Total Turnover (INR) a) Revenue from operations b) Other Income	 ₹25,617.78 ₹1,114.15
3.	Total profit after taxes (INR)	₹921.62
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%): 3.02% (₹27.81 million) of average profit for previous three years in respect of Standalone Financials of the Company (computation as prescribed by the Companies Act, 2013).	Please refer Annexure III – 'Annual Report on CSR Activities' to the Board's Report for details
5.	List of activities in which expenditure in 4 above has been incurred:-	

Section C: Other Details

1. **Does the Company have any Subsidiary Company/Companies?**
   Yes, Varroc Engineering Limited (VEL) has Subsidiary Companies in India and abroad.

2. **Do the Subsidiary Company/Companies participate in the Business Responsibility (BR) Initiatives of the Parent Company? If yes, then indicate the number of such Subsidiary Company(s).**
   Subsidiary companies of VEL conduct their Standalone BR initiatives. They abide by the principles of Business Responsibility (BR) and Environment Social & Governance (ESG), as per the local laws applicable to them.

3. **Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]**
   Most of our customers are Original Equipment Manufactures (OEMs) and as per our understanding & information, all of them have their own BR initiatives. Further, the Company encourages its other stakeholders i.e. suppliers, distributors and other stakeholders in the value chain to participate in its BR initiatives, however it does not track the actual participation.

Section D: BR Information

1. **Details of Director/Directors responsible for BR**

   (a) Details of the Director/Director responsible for implementation of the BR policy /policies

   1. DIN: Number: 00027505
   2. Name: Mr. Tarang Jain
   3. Designation: Chairman & Managing Director

   (b) Details of the BR head

Sr no.	Particulars	Details
1	DIN: Number (if applicable)	00027505
2	Name	Mr. Tarang Jain
3	Designation	Chairman and Managing Director
4	Telephone number	0240-6653700
5	e-mail id	investors@varroc.com

2. **Principle-wise (as per NVGs) BR Policy/policies**

National Voluntary Guidelines Principle No.	Requirement
1.	Business should conduct and govern themselves with Ethics, Transparency and Accountability
2.	Businesses should provide goods and services that are safe and contribute to sustainability through-out their life cycle
3.	Business should promote the well-being of all employees
4.	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised
5.	Businesses should respect and promote human rights
6.	Business should respect, protect and make efforts to restore the environment
7.	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
8.	Business should support inclusive growth and equitable development
9.	Businesses should engage with and provide value to their customers and consumers in a responsible manner

(a) **Details of compliance (Reply in Y/N)**

Sr No.	Questions	Business Ethics	Product Responsibility	Well-being of Employees	Engagement Stakeholder & CSR	Human Rights	Environment	Public Policy	CSR	Customer Relations
		P1	P2	P3	P4	P5	P6	P7 **	P8	P9
1.	Do you have a policies for*	Y	Y	Y	Y	Y	Y	N	Y	Y
2.	Has the policy being formulated in consultation	Y	Y	Y	Y	Y	Y	N	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify? (50 words)	The policies are in conformity with applicable laws and regulations.								
4.	Has the policy being approved by the Board? Is yes, has it been signed by MD/ Owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	N	Y	Y
5.	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	N	Y	Y
6.	Indicate the link for the policy to be viewed online? #	The policies approved by the Board of the Directors are available on the website of the Company at http://www.varroc.com								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	N	Y	Y
8.	Does the Company have in-house structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	N	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	N	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	N	Y	Y

* Policy(ies) include defined/documented procedures and SOPs.

** The management of the Company engages in public policy through industry associations only.

Internal Policies and SOPs are available on internal portal 'HR-home" which is accessible only to employees

(b) **If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

Sl No.	Questions	Business Ethics	Product Responsibility	Well being of Employees	Engagement Stakeholder & CSR	Human Rights	Environment	Public Policy	CSR	Customer Relations
		P1	P2	P3	P4	P5	P6	P7 **	P8	P9
1.	The Company has not understood the Principles	-	-	-	-	-	-	-	-	-
2.	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	✓	-	-
3.	The Company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4.	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6.	Any other reason (please specify)	-	-	-	-	-	-	-	-	-

3. Governance related to BR

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

The Management regularly monitors the BR initiatives and the action points emerging from the discussions are reviewed to ensure their closure on annual basis. Further, the CSR Committee of the Board reviews the CSR performance of the Company as per the Companies Act, 2013.

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

The Company publishes BRR annually along with Annual Report. The Annual Report of the Company is available at https://varroc.com/investor/investor-relations.

Section E: Principle-wise Performance

Principle 1: Business should conduct and govern themselves with Ethics, Transparency and Accountability

Varroc's fundamental belief proves that a team always has a common identity irrespective of differences in culture, country, race or gender.

Varroc is guided by five core values coined as SHIPS:

- Sincerity – To speak and act from the heart
- Humility – The quality of having a modest view of one's own importance; the state of not thinking you are better than other people
- Integrity – Integrity is the quality of being honest, fair & having strong moral principles. It means to do what is right
- Passion – A strong feeling of enthusiasm or excitement for something
- Self-Discipline – The ability to make yourself do things that should be done

These SHIPS values are the foundation of our business, guide our strategy and define our culture Adherence to our values ensures that ethical practices are adhered to all levels of our Company.

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs / Others?**
We foster an inclusive environment that provides equal opportunity to our employees, customers, suppliers and the community at large. We comply with all applicable laws in every country in which we do business as well as with all applicable laws. The Company and its Subsidiaries are committed to upholding the highest standards of business integrity and ensuring compliance with applicable regulation(s) and best international practices. Ethics, transparency and accountability are governed by the Code of Conduct for Directors and Employees ("Code of Conduct"). The Code is detailed in the Corporate Governance Report of the Company. The Code of Conduct forms part of term of appointment letter and is sign at the time of joining the Company. The Senior Management sign the Code of Conduct every year.

The Company has devised an effective Whistle -Blower Mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices and is communicated through various means including publication on the Company's website.

All Joint Ventures, suppliers and contractors of the Company are independent entities. Therefore, the Company's Code of Conduct and Whistle-Blower Policy do not apply to them.

2. **How many stakeholder complaints have been received in the past Financial Year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**
During the reporting year, 1 investor complaint was received by the Company, which is attended to/resolved till date.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

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

The Company is engaged in the business of manufacturing of automotive components. These products have insignificant social or environmental concern or risk. However, Social and environmental concerns are always on the fore with regard to all manufacturing processes.

At Varroc, we believe that performance is the best growth strategy. Performance that doesn't follow benchmarks but goes beyond them. Performance that lives up to commitment, no matter what it takes. Our quest is to get every OEM manufacturer in the world acquainted with our ethos – that is built on a solid foundation based on relentless pursuit of perfection.

We don't stop there In the fast changing world of automotive design and technology, we are in a state of constant alert. We are constantly adapting, evolving and innovating. The comfort zone is not a breeding ground for greatness. Instead of resisting change, we always seek to embrace it. And always ask ourselves – How can we do this better? This mindset allows us to be future-ready and helps us deliver performance@change.

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

At Varroc, we strive to achieve within the supply chain excellence through competitive costs, efficient supply chain network and exemplary quality – resulting in sustainable growth and customer delight. Pursuing excellence is not an autonomous Programme or initiative; It's how we do business, and it's an integral part of our business success.

We put into force a cost and performance-based sourcing strategy, develop Long-Term Strategic (LTS) Suppliers, and ensure continuous upgradation of our LTS Suppliers. We seamlessly collaborate and create opportunities for our suppliers to jointly explore new technologies within the auto industry and provide the end customers with quick, cost-competitive solutions.

Our combined success depends on the following factors:

- Building trust by being transparent
- Driving competitive costing
- Taking challenges and mitigating risks
- Deploying the right people at the right place
- Scaling new heights through excellence in execution

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

Yes, local sourcing is an important surface of sustainable procurement and we take efforts to encourage and enable our suppliers to meet quality norms and standards. Proximity to our operations makes logistical sense to our business and provides a mutual benefit to the local suppliers. Thus, our packing materials, commodity items, raw materials are sourced primarily from the local small producers.

We want our suppliers to ACE. Three factors contribute to the excellence of our supply team.

- **Agility & Adaptability –** Fast response & flexibility to meet expectations
- **Collaboration –** Meeting objectives by leveraging mutual strengths
- **Execution –** Converting plans into reality through perseverance

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

In order to streamline and ensure that processes are in place, our suppliers are audited periodically. During these audits and other visits discussions with the vendors are undertaken on upgrading upgrading their facility, process, recycling, disposal and other essential requirements. Suppliers are given recommendations and suggestions to comply with the Company's requirements. The technology function assists in making processes more efficient, improve yields. Through Operational Excellence, we engaged with vendors for improving operational sustainability Initiatives.

Principle 3: Business should promote the well-being of all employees

To operate successfully as a global organisation, a diverse talentpool that is rich in gender, ethnicity, and culture becomes extremely critical. In order to address the diverse customer base, a diverse talentpool aims to link the gap between the workplace and marketplace.

We believe that diversity in talent and thought yields superior results, and that all employees bring unique, important skills and viewpoints to our Company. It is only when all employees feel safe, valued, and empowered that our Company can truly thrive. We are committed to creating an inclusive environment that provides equal opportunities for all and does not allow for harassment or discrimination in any form.

The Company has a policy on prevention of Sexual Harassment. A committee has been constituted in accordance with the requirements, under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the Financial Year 2020-21, there were no complaints filed or pending, relating to child labour, forced labour, involuntary labour or Sexual Harassment. The Company provides its employees subsidised food facility, assistance for transport and medical facilities. The Company provides medical support to its employees under Group Mediclaim Facility.

1. Please indicate the Total number of employees: 3,634 Nos.

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis: 7,085 Nos.

3. Please indicate the Number of permanent women employees: 208 Nos.

4. Please indicate the Number of permanent employees with disabilities: Varroc is an equal opportunity employer. We do not mandate disclosure of disability and do not discriminate on the grounds of age, gender, caste. Employment is offered based on merit.

5. Do you have an employee association that is recognised by management:
Yes, we have trade unions at Waluj (Aurangabad, Maharashtra), Takve & Chakan (Dist. Pune, Maharashtra) and Pantnagar (Uttarakhand).

6. What percentage of your permanent employees are members of this recognised employee association?
As of March 31, 2021, out of total 1,621 Permanent Workmen of all our Unionised Plants, ~98.00% Workmen are members of this Employee Association/Union.

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last Financial Year and pending, as on the end of the Financial Year.

Sl No.	Category	No. of complaints filed during the Financial Year	No. of complaints pending as on end of the Financial Year
1	Child labour/ forced labour/ involuntary labour	Nil	Nil
2	Sexual harassment	Nil	Nil
3	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Sl No.	Category	% Employees that were given safety training	% Employees that were given skill upgradation training
(a)	Permanent Employees	100%	75%
(b)	Permanent Women Employees	100%	75%
(c)	Casual/ Temporary/ Contractual Employees	100%	75%
(d)	Employees with Disabilities	Nil	Nil

Principle 4: Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

1. Has the Company mapped its internal and external stakeholders? Yes/No

   Yes, the Company has mapped its stakeholders through materiality matrix as a part of its stakeholder engagement development process. We have identified Employees, Dealers, Customers, Shareholders, Investors, suppliers, Regulatory Authorities, CSR beneficiaries and Knowledge Partners of our stakeholders.

   AT VARROC, OUR BELIEFS TRANSLATE INTO ACTIONS THAT HELP US WIN OVER CUSTOMERS AND DEFINE US AS A BRAND. THESE ARE THE DIMENSIONS THAT AID US ACHIEVE OUR END GOAL OF EXCELLENCE:

   - Speed in adapting to customers' needs. we aim at being the first to come up with the best solutions in automotive components and systems.
   - Bringing new solutions to the market first. we make it a point to introduce the latest technology in automotive components and systems.
   - Consistently finding opportunities and fulfilling unmet needs. across the automotive industry, we keep an eye out for new challenges and breakthroughs.
   - nurturing a high-performance values-based culture with a focused team and a culture that rewards performance, we push the bar for ourselves everyday.
   - first time right development. we aim at making every attempt count. we approach every new challenge with an accelerated learning curve so that we can get it right the first time, every time.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders. and

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

   Yes, The Company has identified the disadvantaged and vulnerable stakeholders viz. unemployed & unskilled youth, people having limited or no access to basic education, clean water etc.

   Our commitment to Corporate Social Responsibility is demonstrated in how we conduct our business by providing a safe workplace for our employees, minimising impact to the environment, being a positive corporate citizen in the communities we operate and prioritising ethical business practices at all our global locations. Each of these principles influence our strategy planning, decision making process and daily operations.

Principle 5: Businesses should respect and promote human rights

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?**

   The Company has adopted professional standards, business conduct and Whistle-Blower Policy. These policies are applicable to Varroc Group India Business employees.

   We foster an inclusive environment that provides equal opportunity to our employees, customers, suppliers and the community at large. We comply with all applicable laws in every state in which we do business as well as with all applicable laws against discrimination and harassment, and laws prohibiting child and forced labour.

2. **How many stakeholder complaints have been received in the past Financial Year and what percent was satisfactorily resolved by the management?**

   There have been no complaints against breach of human rights aspects in the reporting period.

Principle 6: Business should respect, protect, and make efforts to restore the environment

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

   We have implemented an integrated environmental, health and safety management system at all manufacturing plants globally that is consistent with the ISO 14001 Environmental and OHSAS 18001 Health and Safety Management Systems. This system is certified in compliance with these standards by a third-party registrar, Bureau Veritas. Key to the success of this programme is establishing annual objectives and targets and implementing improvement programmes to reduce safety risks and environmental aspects of our operations.

   To ensure compliance with occupational regulations and controlling occupational hazards that put risk to employees' life, property and the environment by investing in safe and eco-friendly technologies.

   - Communication – Actively informing stakeholders about the EHS guidelines
   - Collaboration – Working as a team (CFT) to provide and implement EHS practices
   - Commitment – Promoting the EHS culture with dedication, proactively

   The vendors are governed by their respective policies. Adherence to environmental laws and regulations is one of the pre-requisites for awarding a contract to any vendor.

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

   The Company has a dedicated energy cell for conservation of energy, which undertakes and implements various measures towards improving operational efficiency and identifying alternate source(s) of energy. The Company works continuously to reduce the waste and focused on creating green infrastructure which are designed for better energy efficiency and efficient operations. Refer Board's Report for details in relation to Environment Conservation and Technology Absorption.

3. **Does the Company identify and assess potential environmental risks?**

   The Company regularly reviews its environmental risks and undertakes initiatives to mitigate them.

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

   The Company has a sustainable Environment, Occupational, Health and Safety (EOHS) strategy plan. EOHS is an integral part of our core values. Our goal is to be injury-free, while being eco-friendly. We believe in 'Reduce-Reuse-Recycle'. Various environmental projects like ZLD, waste utilisation and extensive usage of by-product etc. have been initiated to promote it. EHS focuses on the following key factors:

   ETHICAL BUSINESS RESPONSIBILITY
   We foster an inclusive environment that provides equal opportunity to our employees, customers, suppliers and the community at large. We comply with all applicable laws in every country in which we do business as well as with all applicable laws against discrimination

and harassment, and laws prohibiting child and forced labour.

EHS FOCUSES ON THE FOLLOWING KEY FACTORS:

- Eliminating operational risks by proactively identifying and controlling hazards
- Preserving the Company's assets and complying with all legal norms
- Enhancing EHS skills through training and development
- Reducing environmental impacts and optimising the use of natural resources
- Preventing diseases by maintaining hygiene at work places

ENVIRONMENTAL, HEALTH AND SAFETY MANAGEMENT SYSTEMS

We have implemented an integrated environmental, Health and Safety Management System at all manufacturing plants globally that is consistent with the ISO 14001 Environmental and OHSAS 18001 Health and Safety Management Systems. This system is certified in compliance with these standards by a third-party registrar, Bureau Veritas. Key to the success of this programme is establishing annual objectives and targets and implementing improvement programmes to reduce safety risks and environmental aspects of our operations. 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.

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

   The measures introduced by the Company for conservation of energy at its plant locations are contained in the Report on Conservation of Energy and Technology Absorption which forms part of the Board's Report.

6. **Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB / SPCB for the Financial Year being reported?**

   Yes, the Company regularly monitors its waste generation limits and ensures that waste generation is within the permissible limits given by Central Pollution Control Board (CPCB)/ State Pollution Control Board (SPCB).

7. **Number of show cause/ legal Notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

   The Company has no pending Notices from CPCB / SPCB as on March 31, 2021.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

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

   The Company actively engages in public advocacy, in a responsible manner. The Company deals with the public officials with a proper protocol. All such engagements are through Recognised Industry Bodies/ Trade Associations. As on March 31, 2021, The Company is a member of leading Industry Associations, including:

   - ACMA - Automobile Component Manufacturers Association,
   - BAVA - Bajaj Auto Vendor Association,
   - SIAM – Society of Indian Automobile Manufacturers
   - CII - Confederation of Indian Industries,
   - JIPM (Japan Institute of Plant Maintenance)
   - CMIA (Chamber of Marathwada Industries Association)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others).**

   As a responsible corporate citizen, the Company's approach is to contribute to public policy formulation through Recognised Industry Associations only.

Principle 8: Business should support inclusive growth and equitable development

1. **Does the Company have specified Programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**

   Our commitment to Corporate Social Responsibility is demonstrated in how we conduct our business: providing a safe workplace for our employees, minimising impact to the environment, being a positive corporate citizen in the communities we operate, and prioritising ethical business practices at all our global locations. Each of these principles influences our strategy planning, decision making process and daily operations.

   The Company has aligned its CSR Programme with the requirements of The Companies Act, 2013. The Company has constituted a three members CSR Committee of the Board. The Company's CSR Policy has been approved by the CSR Committee and the Board. The Policy can be referred in detail on the Company's website www.varroc.com.

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

   The CSR initiatives are implemented either directly by the Company or through implementing partners which include NGOs having an established track record of at least 3-4 years in carrying on the specific activity. The main implementation partners working with the Company are Varroc Foundation and Varroc Vengsarkar Academy.

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

   The CSR programmes and their impacts/ outcomes are monitored and reviewed by the CSR Committee periodically.

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

   For details on Company's contribution to its CSR projects and Programmes, please refer 'Annexure – III Annual Report on CSR activities', to the Board's Report for FY2021.

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

   Yes. Initiatives conducted under CSR are tracked to determine the outcomes achieved and the benefits to the community. Internal tracking mechanisms are regularly carried out.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. **What percentage of customer complaints/ consumer cases are pending as on the end of Financial Year.**

   The Company has a robust system for addressing customer complaints. There are no complaints which are pending attention and/or requisite action at Company's end.

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

   Yes.

   The information displayed on the product label is as per the applicable laws and in line with the prevalent market practice.

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

   There are no court cases filed against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as of March 31, 2021.

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

   The Company received customer awards for contribution to their business such as quality excellence, design development, best performance etc. which represents customer satisfactions. Awards are mentioned in details in "Awards and Recognition" of the Annual Report.

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 March 31, 2021

To,
The Members of
Varroc Engineering Limited
Plot No. L-4, MIDC, Waluj,
Aurangabad - 431 136.

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: L28920MH1988PLC047335) (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 Authorised 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 March 31, 2021 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 March 31, 2021 according to the provisions of:

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

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

(iii) The Depositories Act, 1996 and the Regulations any Byelaws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

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

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

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

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

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

(vi) I further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:

- Motor Vehicles Act, 1988 and the Rules made thereunder;
- The Explosive Act, 1884 and Gas Cylinders Rules, 2016;
- The Petroleum Act,1934 and the Rules made thereunder;
- The Environment (Protection) Act, 1986 read with Bio-Medical Waste Management Rules, 2016;
- The Water (Prevention and Control of Pollution) Act, 1974;
- The Water (Prevention and Control of Pollution) Cess Act, 1977 and rules made thereunder;
- The Air (Prevention and Control of Pollution) Act, 1981;
- The Batteries (Management and Handling) Rules, 2016,
- The Public Liability Insurance Act, 1991 and rules made thereunder;
- The Competition Law;
- The Legal Metrology Act, 2009 and the rules made thereunder.

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

(i) Secretarial Standards issued by the Institute of Company Secretaries of India.

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

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

I further report that there were no events/actions in pursuance of:

- The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- The Securities and Exchange Board of India (Delisting of Equity Shares), Regulations, 2009;
- The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014.

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, Non-Executive Directors, Woman Director 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.

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.

For **Uma Lodha & Co.**
Practicing Company Secretaries

Uma Lodha
(Proprietor)
FCS No. : 5363
C.P. No. :2593
UDIN: F005363C000419425

Place: Mumbai
Date: June 04, 2021

Note: This report is to be read with our letter of even date which is annexed as **'ANNEXURE A(i)'** and forms an integral part of this report.

Annexure A(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.
- Due to restricted movement amid COVID-19 pandemic, my basis of examination for issuing Secretarial Audit Report for the Financial Year 2020-21 was only restricted to the information/documents/ Confirmations/Records provided by the Company in the electronic mode and could not be verified from the original records. The management has confirmed that the records submitted to me are the true and correct.
- Wherever 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.

For **Uma Lodha & Co.**
Practicing Company Secretaries

Uma Lodha
(Proprietor)
FCS No. : 5363
C.P. No. :2593
UDIN: F005363C000419425

Place: Mumbai
Date: June 4, 2021

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 March 31, 2021

To
The Members of
Varroc Polymers Private Limited
Plot No. L-4, MIDC, Waluj,
Aurangabad -431136

We have conducted the Secretarial Audit of the compliance of applicable statutory provision and the adherence to good corporate practices by **M/S. VARROC POLYMERS PRIVATE LIMITED (CIN: U25209MH1995PTC090037)** (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 by **M/S. VARROC POLYMERS PRIVATE 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 authorised 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, 2021 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 POLYMERS PRIVATE LIMITED** for the financial year ended 31st March, 2021 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 Byelaws framed there under;

(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) I further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:

- Motor Vehicles Act, 1988 and the Rules made thereunder;
- The Petroleum Act,1934 and the Rules made thereunder;
- The Environment (Protection) Act, 1986
- The Water (Prevention and Control of Pollution) Cess Act, 1977 and rules made thereunder.
- The Public Liability Insurance Act, 1991 and rules made thereunder.
- The legal metrology Act, 2009 and the rules made thereunder.

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 Board of Directors.

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 ***except Woman Director***. 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.

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 except following:

1. As per Section 149 of the Companies Act,2013, Company is yet to appoint Woman Director on its Board.

2. The Company was required to spend an amount of ₹1,16,96,533 towards CSR expenditure during the financial year 2020-21. However, the Company has spent ₹72,81,204 and is yet to spend the shortfall of ₹44,15,329 towards CSR expenditure.

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: June 04, 2021

For **Uma Lodha & Co.**
Practicing Company Secretaries

Uma Lodha
Proprietor
FCS No.: 5363
C.P. No.2593
UDIN: F005363C000419502

Note: This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

Annexure A

To
The Members
M/S. VARROC POLYMERS PRIVATE 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.
- Wherever 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.
- Due to restricted movement amid COVID-19 pandemic, my basis of examination for issuing Secretarial Audit report for the financial year 2020-21 was only restricted to the information/documents/ Confirmations/Records provided by the Company in the electronic mode and could not be verified from the original records. The management has confirmed that the records submitted to me are the true and correct.
- 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: June 04, 2021

For **Uma Lodha & Co.**
Practicing Company Secretaries

Uma Lodha
Proprietor
FCS No.: 5363
C.P. No.2593
UDIN: F005363C000419502

Corporate Governance Report

This Corporate Governance Report relating to the Financial Year ended on March 31, 2021 has been issued in compliance with the requirements of Regulation 34(3) read with Clause C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and forms a part of the Report of the Directors to the Members of the Company.

1. Company Philosophy:

The Company's philosophy on Corporate Governance mirrors its belief that principles of transparency, fairness and accountability towards the stakeholders are the pillars of a good governance system. The Company believes that the discipline of Corporate Governance pertains to systems, by which Companies are directed and controlled, keeping interests of members, while respecting interests of other stakeholders and society at large. It aims to align interests of the Company with its members and other key stakeholders. Accordingly, this Company's philosophy extends beyond what is being reported under this Report and it has been the Company's constant endeavour to attain the highest levels of Corporate Governance.

The foundation of the Company's Corporate Governance rests in its core values - 'SHIPS' as outlined below:

- Sincerity – To speak and act from the heart
- Humility – To walk with everyone
- Integrity – To do what is right
- Passion – To go the distance against all odds
- Self-Discipline – To make it happen

The Company's Code of Conduct serves as a guide to each Director, Senior Management and employee on the ethical standards and values and the business principles which govern their conduct. The Directors and Senior Management have affirmed that they have complied with the Code of Conduct and a certificate to this effect forms part of the Annual Report.

2. Board of Directors

The Board of Directors ensures that the Company runs its business on fair and ethical principles and plays an important role in creation of core VARROC value for its stakeholders. All statutory and other significant and material information including information mentioned in Regulation 17(7) read with Part A of Schedule II of the Listing Regulations is placed before the Board of Directors to enable them to discharge their responsibilities of strategic supervision of the Company with due compliance of laws and as trustees of stakeholders. The Managing Director and Executive Directors are responsible for the day-to-day management of the Company, subject to the supervision, direction and control of the Board of Directors. The Executive Directors are ably assisted by the Business Heads and Function Heads and they implement the decisions and the strategic policies of the Board of Directors.

Information supplied to the Board

In advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by different functional heads on important matters from time to time. Directors have separate and independent access to the officers of the Company. In addition to items required to be placed before the Board for its noting and/or approval, information is provided on various significant items.

In terms of quality and importance, the information supplied by the management to the Board of Directors of the Company is precise and provided with relevant details that is necessary for the Directors to enable them to fulfil their duties. The Independent Directors of the Company expressed satisfaction on the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

2.1 Composition

As on March 31, 2021, the Board of Directors of the Company consists of Seven (7) Directors of whom, Three (3) are 'Executive' Directors and Four (4) are Independent Directors including One (1) Woman Independent Director.

Mr. Tarang Jain, Chairman and Managing Director, Mr. Arjun Jain, Whole Time Director and Mr. Rohit Prakash, Whole Time Director are the Executive Directors.

The details of the Board of Directors as on March 31, 2021 are as follows:

Name of the Director	Category of Director	Particulars
Mr. Tarang Jain (DIN: 00027505)	Chairman, Managing Director, Executive/ Non -Independent	Re-Appointed as Managing Director for 5 years effective from February 6, 2018 - Further appointed as Chairman effective from November 10, 2020
Mr. Arjun Jain (DIN: 07228175)	Whole Time Director Executive/ Non-independent	Appointed as Director and Wholetime Director effective from August 7, 2018
Mr. Gautam Khandelwal (DIN: 00270717)	Non-executive/Independent	Re-appointed as an Independent Director for a further period of 5 years effective from July 20, 2020
Mrs. Vijaya Sampath (DIN: 00641110)	Non-executive/Independent	Re-appointed as an Independent Director for a further period of 5 years effective from July 20, 2020
Mr. Marc Szulewicz (DIN: 01911768)	Non-executive/ Independent	Re-appointed as an Independent Director for a further period of 5 years effective from July 20, 2020
Mr. Vinish Kathuria (DIN: 01951771)	Non-executive/Independent	Appointed as an Independent Director for 5 years effective from February 06, 2018
Mr. Rohit Prakash (DIN: 02425849)	Whole Time Director Executive/ Non-independent	Appointed as Whole Time Director for 5 years effective from April 29, 2020

2.2 Details of Board Meetings, Annual General Meeting and attendance:

During the Financial Year ended on March 31, 2021, Eight (8) Board meetings were held on April 29, 2020; June 25, 2020; July 9, 2020; August 14, 2020; November 10, 2020; January 13, 2021, February 9, 2021 and March 22, 2021. The Annual General Meeting was held on August 14, 2020. The Attendance of the Directors at the Board meetings and the Annual General Meeting during the year is as under:

Name of the Director	No. of Board Meetings			Attendance at the AGM held on August 14, 2020
	Held	Eligible to attend	Attended	
Mr. Naresh Chandra$	8	5	0	Yes
Mr. Tarang Jain	8	8	8	Yes
Mr. Arjun Jain	8	8	8	Yes
Mr. Gautam Khandelwal	8	8	7	Yes
Mrs. Vijaya Sampath	8	8	8	Yes
Mr. Marc Szulewicz	8	8	8	Yes
Mr. Vinish Kathuria	8	8	8	Yes
Mr. Rohit Prakash@	8	8	8	Yes
Mr. Ashwani Maheshwari#	1	1	1	NA

Note:

$ Mr. Naresh Chandra resigned from the Company with effect November 10, 2020

@ Mr. Rohit Prakash was appointed in the Company with effect from April 29, 2020.

Mr. Ashwani Maheshwari resigned from the Company with effect from April 29, 2020.

The Company Secretary is the Secretary of the Board of Directors and the Group Chief Financial Officer, who is a permanent invitee to the meetings of the Board of Directors, has attended all meetings of the Board of Directors.

2.3 Directorships and Committee membership

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees as specified in Regulation 26 of Listing Regulations across all listed companies in India of which they are a Director.

Independent Directors do not serve in more than 7 listed companies. None of the Independent Directors are Whole Time Directors in any listed Company hence the limitations mentioned in Regulation 25 of Listing Regulations are not applicable.

Directorships (including names of listed Companies) and membership of Committees held by Directors as on March 31, 2021 are given below:

Name of the Director	No. of Directorships Held in Public Companies*	No. of Committees of which Chairman@	No. of Committees of which Member@	Names of Listed Company and Category of Directorship
Mr. Tarang Jain	1	-	1	1. Varroc Engineering Limited, Chairman and Managing Director
Mr. Arjun Jain	1	-	1	1. Varroc Engineering Limited, Whole Time Director
Mr. Gautam Khandelwal	3	2	6	1. Varroc Engineering Limited, Independent Director 2. Nagpur Power and Industries Limited, Executive Director 3. Informed Technologies India Limited, Executive Director
Mrs. Vijaya Sampath	8	1	5	1. Varroc Engineering Limited, Independent Director 2. Ingersoll Rand (India) Limited, Independent Director 3. Safari Industries (India) Limited, Independent Director 4. Eris Lifesciences Limited, Independent Director 5. Intellect Design Arena Limited, Independent Director 6. Va Tech Wabag Limited, Independent Director 7. Craftsman Automation Limited, Independent Director
Mr. Marc Szulewicz	1	-	-	1. Varroc Engineering Limited, Independent Director
Mr. Vinish Kathuria	1	-	2	1. Varroc Engineering Limited, Independent Director
Mr. Rohit Prakash	1	-	-	1. Varroc Engineering Limited, Whole-time Director

Notes:

* This excludes directorships in Private Companies, foreign companies and companies licensed under Section 8 of the Companies Act, 2013/Section 25 of the Companies Act, 1956. These include Directorship and Committee Membership of Varroc Engineering Limited.

@ This relates to membership of Committees referred to in Regulation 26(1) of the Listing Regulations, viz. Audit Committee and Stakeholders Relationship Committee of all Public Limited Companies, whether listed or not and excludes Private Limited Companies, Foreign Companies and Companies licensed under Section 8 of the Companies Act, 2013/Section 25 of the Companies Act, 1956.

2.4 Inter-se relationships among Directors

Mr. Tarang Jain-Chairman and Managing Director and Mr. Arjun Jain, Whole Time Director are family members and related to each other as Father and Son.

Mr. Rohit Prakash, Whole Time Director is a professional executive. The Independent Directors are eminent industrialist and/or professionals having expertise in their respective field and bring with them the reputation of independent judgement and experience, which they exercise in decision making process. The Independent Directors satisfy the criteria of independence.

2.5 Shareholding of Directors and Key Managerial Personnel

Details of the Shareholding of Directors and Key Managerial Personnel in the Company as on March 31, 2021 is as under:

Name	Designation	No. of shares held
Mr. Tarang Jain	Chairman and Managing Director	6,07,29,800
Mr. Tarang Jain$		3,38,50,000
Mr. Arjun Jain	Whole Time Director	5,000
Mr. Rohit Prakash&	Whole Time Director	Nil
Mrs. Vijaya Sampath	Independent Director	703
Mr. Marc Szulewicz	Independent Director	Nil
Mr. Vinish Kathuria	Independent Director	Nil
Mr. Gautam Khandelwal	Independent Director	Nil
Mr. T. R. Srinivasan	Group Chief Financial Officer	540
Mr. Ajay Sharma	Company Secretary	5,200

$ Held by Tarang Jain in his capacity as the trustee of TJ Holdings Trust.

& Mr. Rohit Prakash was appointed as an Additional cum Whole Time Director with effect from April 29, 2020

As on date of this report, no convertible instruments are outstanding in the Company.

2.6 Familiarisation programme for Independent Directors

The Company has established a Familiarisation programme for Independent Directors. The discussions at various Board Meetings provide the Board members with a realistic view of the Company's businesses, the challenges and its potential.

At the Board Meetings, the following aspects are presented to the Board:

- Nature of the industry in which the Company operates – detailed information on the industry trends, industry challenges, industry innovations vis-à-vis business operations, business plans and strategy are presented by the Chairman and Managing Director, Whole Time Director and Group Chief Financial Officer.
- Business model of the Company including risks and challenges being faced by the Company;
- Changes in business environment and impact thereof on the working of the Company;
- Strategic future outlook and way forward to achieve Company's Vision.

To create awareness amongst the Directors about recent regulatory changes, note on recent regulatory changes made in Listing Regulations, Companies Act, 2013 and other allied corporate laws is circulated for their perusal, from time to time.

The framework together with the details of the Familiarisation programme conducted has been uploaded on the website of the Company. The web-link to this is https://varroc.com/investors/corporate-governance/.

2.7 Key Board qualification, expertise and attributes

The Company's Board comprises qualified members who bring in the required skills, competencies and expertise that allow them to make effective contribution to the Board and its committees.

The table below summarises the key skills/competencies and expertise identified by the Board in the context of its business and those actually available with the respective(s) Director of the Board (to be updated):

Leadership	Extended leadership experience in organisations with demonstrated strengths in developing talents, fostering growth and bringing a positive change through alternative thinking
Global Business	Experience in driving business success on global platform, with an understanding of diverse business environments, cultural differences and regulatory framework
Technology	Background in technology with an ability to extend or create new business models, adopting state-of-the-art technology
Ethics & Corporate Governance	To lead by example best ethical and Corporate Governance practices
Financial knowledge	Proficiency in complex financial management, capital allocation and financial reporting process
Mergers and Acquisitions	A history of leading growth through acquisitions and other business combinations, analysing the strategic fit of target entity vis-à-vis Company's vision and mission
Management & Business Excellence	Follow best management practices and working towards business & operational excellence and research and development of the niche

2.8 Director(s) seeking Appointment/ Re-appointment

In compliance with the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Arjun Jain (DIN: 07228175) will retire by rotation at the ensuing Annual General Meeting and it is proposed to re-appoint him as a Director of the Company.

The requisite information about Mr. Arjun Jain, proposed to be re-appointed is mentioned in the Notice convening the Annual General Meeting and therefore is not mentioned separately in this Report.

2.9 Code of Conduct

The Code of Conduct adopted by the Board of Directors, is applicable to the Directors and all Senior Management Personnel of the Company. This Code of Conduct emphasises the Company's commitment to the compliance with the highest standards of legal and ethical behaviour. The Code of Conduct is available on the website of the Company at https://varroc.com/investors/corporate-governance/ under heading 'Policies'.

All Directors, Key Managerial Personnel and Senior Management Personnel have adhered to the Code of Conduct of the Company during the year and have signed declarations and given affirmation of compliance to the Code of Conduct. Further, the Senior Management of your Company have made disclosures to the Board confirming that there are no material financial and commercial transactions between them and the Company which could have potential conflict of interest with the Company at large. A certificate signed by the Mr. Tarang Jain, Chairman and Managing Director on behalf of Board of Directors as required under Regulation 34 (3) of Listing Regulations affirming compliance of said code is given in this Annual Report.

2.10 Independent Directors

Independent Directors play a key role in the governance processes of the Board and in shaping various strategic initiatives of the Company. These Directors are professionals, with expertise and experience in general Corporate Management, business, finance and Information Technology. This wide knowledge of their respective fields of expertise and best-in-class boardroom practices helps foster varied, unbiased, independent and experienced perspective and also prevent possible conflicts of interest that may emerge in such decision making.

Your Company has several Subsidiaries, both in India and overseas. In order to leverage the experience of Independent Directors of the Company for the benefit of and for improved Corporate Governance and better reporting to the Board, some of the Independent Directors also serve on the Boards of material Subsidiary Companies.

All the Independent Directors of the Company have been appointed as per the provisions of the Act and the Listing Regulations. Formal letters of appointment are issued to the Independent Directors after their appointment by the Members. As required by Regulation 46 of the Listing Regulations, the terms and conditions of their appointment have been disclosed on the website of the Company at https://varroc.com/investors/corporate-governance/.

An Independent Director is the Chairman of each of the Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee.

Further, the Independent Directors of the Company have undertaken requisite steps towards the inclusion of their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

During the year under review, none of the Independent Directors have resigned.

2.11 Confirmation as regards independence of Independent Directors

The Company has received a declaration from the Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Act read with Regulation 16(1)(b) of the Listing Regulations.

In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstances or situations which exist or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

In the opinion of the Board, the Independent Directors fulfill the conditions of independence specified in the Act and the Listing Regulations and are independent of the Management.

2.12 Pecuniary transactions with Non-executive Directors

During the year under review, there were no pecuniary transactions with any of the Non-Executive Director of the Company except payment of sitting fees and commission and professional fees as disclosed in this report.

The Register of contracts is maintained by the Company under Section 189 of the Act and the same is placed before the Board for approval at the Board Meeting(s). The register so placed before the Board is signed by all the Directors present at such meetings.

2.13. Directors Remuneration

The Non-Executive Directors are entitled to sitting fees for every meeting of the Board or Committee thereof attended by them. They are also entitled to commission not exceeding 1% of the Net Profits of the Company. The Chairman and Managing Director and Whole Time Directors do not receive sitting fees for attending the meetings of the Board or any Committee thereof nor do they receive any commission on Net Profits. None of the Directors had any material pecuniary relationship or transaction with the Company during the year.

Details of remuneration paid to the Directors are given in Form MGT- 9 which is available on Company's website on the link https://varroc.com/investors/financial-results/.

The remuneration paid to the Chairman and Managing Director and the Whole Time Director(s) was duly approved by the Board of Directors and members.

The Company has obtained a Directors and Officers Liability Insurance Policy covering all Directors and Officers of the Company in respect of any legal action that might be initiated against any Director or Officer of the Company.

3. Committees of the Board

The Board of Directors have constituted the following Committees:

3.1 Audit Committee

3.2 Nomination and Remuneration Committee

3.3 Stakeholders Relationship Committee

3.4 Corporate Social Responsibility Committee

3.5 Risk Management Committee

3.6. Other Committees

A. Finance Committee
B. Committee of Directors (Capital Raising)

The composition, terms of reference, attendance and other details of these Committees are mentioned hereunder.

No voluntary recommendation(s) were made by the aforesaid committees to the Board.

3.1 Audit Committee:

3.1.1 Constitution and Composition

The Audit Committee was constituted on February 6, 2018 in compliance with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18(1) of Listing Regulations.

The constitution of the Audit Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Gautam Khandelwal	Chairman	Non-executive, Independent Director
Mr. Tarang Jain	Member	Executive, Non-independent Director
Mrs. Vijaya Sampath	Member	Non-executive, Independent Director
Mr. Vinish Kathuria	Member	Non-executive, Independent Director

The Group Chief Financial Officer is a permanent invitee in all meetings of the Audit Committee. The Company Secretary is the Secretary of the Audit Committee. All the Directors are financially literate, and Mr. Gautam Khandelwal, Mr. Tarang Jain and Mrs. Vijaya Sampath have accounting and related financial management expertise.

The Statutory Auditors and Internal Auditors are invited to the meetings to discuss with the Directors the scope of audit, their comments and recommendation on the accounts, records, risks, internal procedures and internal controls of the Company and to discuss the Internal Audit Reports. Minutes of the Audit Committee meetings are circulated to all the Directors and discussed at the Board meetings.

As per Regulation 18(1)(d) of the Listing Regulations, Mr. Gautam Khandelwal, Chairman of the Audit Committee was present at the last Annual General Meeting to answer Shareholders' queries.

3.1.2 Terms of reference

The terms of reference of the Audit Committee cover all the areas mentioned under Section 177 of the Companies Act, 2013 and Regulation 18 read with Part C of Schedule II of Listing Regulations. The broad terms of reference of the Audit Committee therefore include all Financial Results, statements and disclosures and recommend the same to the Board, review the Internal Audit Reports and discuss the same with the Internal Auditors, review Internal Control Systems and procedures, evaluation of internal Financial Controls and Risk Management Systems and their effectiveness, to meet the Statutory Auditors and discuss their findings, their scope of audit, post audit discussion, auditor's independence, adequacy of Internal Audit Functions, audit qualifications, if any, appointment/removal and remuneration of Auditors, changes in accounting policies and practices, if any, and disclosure of all Related Party Transactions and compliance with Company Law and other statutory provisions. Detailed terms of reference of the Committee are available on the Company's website https://varroc.com/investors/board-of-directors-committees/.

3.1.3 Internal Audit

The Internal Audit Department of the Company conducts internal audit on a pan India basis and is also supported by external agency in some of the areas of Internal Audit. The Chief Internal Auditor present his report to the Audit Committee at periodic intervals.

3.1.4 Attendance

During the Financial Year ended on March 31, 2021, Five (5) Audit Committee meetings were held on June 25, 2020; July 9, 2020; August 14, 2020; November 10, 2020 and February 9, 2021.

The Attendance of the committee members at these Audit Committee meetings is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Gautam Khandelwal	5	5	5
Mrs. Vijaya Sampath	5	5	5
Mr. Tarang Jain	5	5	5
Mr. Vinish Kathuria	5	5	5

It can be seen from the above table that the frequency of the Committee Meetings is in compliance with the limit prescribed under applicable regulatory requirements and the gap between two Committee Meetings was not more than 120 days.

The Minutes of the Meeting of the Audit Committee are discussed and noted by the Board of Directors at the subsequent Board Meeting.

The Functional/Business Representatives also attend the committee meetings periodically and provide such information and clarifications as required by the committee members, which gives a deeper insight into the respective business and functional areas of operations. The Cost Auditors and the Statutory Auditors attend the Audit Committee Meetings for their respective Agenda items relating to Cost Audit Report and Limited Review Report on Quarterly Financial Results.

Mr T. R. Srinivasan, Group Chief Financial Officer attended all the committee meetings.

3.2. Nomination and Remuneration Committee

3.2.1 Constitution and Composition

The Nomination and Remuneration Committee was constituted on February 6, 2018 in compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19(1) of Listing Regulations.

The constitution of the Nomination and Remuneration Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Gautam Khandelwal	Chairman	Non-executive, Independent Director
Mrs. Vijaya Sampath	Member	Non-executive, Independent Director
Mr. Marc Szulewicz	Member	Non-executive, Independent Director

3.2.2. Terms of Reference

The terms of reference of the Nomination and Remuneration Committee cover all the areas mentioned under Section 178 of the Companies Act, 2013 and Regulation 19 (4) of Listing Regulations. The broad terms of reference of the Nomination and Remuneration Committee therefore include analysing, monitoring and reviewing various human resource and compensation matters; remuneration and employment terms of Whole Time Directors and Senior Management Personnel, adherence to and review of the remuneration/employment policy as approved by the Board of Directors, formulating the criteria and identify persons who may be appointed as Directors or Senior Management of the Company, preliminary evaluation of every Director's performance, Board diversity, compliance of the Code for Independent Directors referred to in Schedule IV of the Companies Act, 2013, compliance with the Company's Code of Conduct by Directors and employees of the Company, reporting non-compliances to the Board of Directors and any other matters which the Board of Directors may direct and/or are statutorily prescribed from time to time. Detailed terms of reference of the Committee are available on the Company's website https://varroc.com/investors/board-of-directors-committees/.

3.2.3. Attendance

During the Financial Year ended on March 31, 2021, Two (2) Nomination and Remuneration Committee meetings were held on April 29, 2020 and June 25, 2020. The Attendance of the Directors at these Committee meetings is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Gautam Khandelwal	2	2	2
Mrs. Vijaya Sampath	2	2	2
Mr. Marc Szulewicz	2	2	2

As per Regulation 19(3) of the Listing Regulations, Mr. Gautam Khandelwal, Chairman of the Nomination and Remuneration was present at the last Annual General Meeting to answer Shareholders' queries.

3.2.4 Performance Evaluation of Directors

Pursuant to the provisions of the Companies Act, 2013 and Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, and that of its Committees, Chairperson and Directors. The manner in which such formal annual evaluation was made by the Board during the year 2020-21 is given below:

- Performance evaluation criteria for Board, Committees of the Board and Directors as approved by the Board at its meeting held on February 6, 2018 were revised on recommendation of Independent Director, in line with SEBI's Guidance Note dated January 5, 2017 on Board Evaluation, by the Board at its meeting held on November 11, 2018 and the same were placed on the Company's website www.varroc.com.

- Based on the said revised criteria, rating sheets were filled by each of the Directors towards the end of the year with regard to evaluation of the performance of the Board, its Committees, Chairperson and Directors (except for the Director being evaluated) for the year under review.

- A consolidated summary of the ratings given by each of the Directors was then prepared, based on which a report on performance evaluation of the performance of the Board, its Committees, Chairperson and Directors was prepared.

- The report of performance evaluation so arrived at was then noted and discussed by the Nomination and Remuneration Committee and the Board at their meetings held on June 4, 2021.

The Directors have received briefings and updates on key financial, legal and governance matters. The Independent Directors have ensured governance and good conduct, adherence to laws, mitigating risks and growth. The evaluation covered overall performance of the Board and its Committees, individual reviews of each Director and analysis of the performance of the Chairman. The evaluation concluded that the Board remained high calibre and was functioning well, with open and challenging debate and transparent information flow. Assessment of individual Directors concluded that they contributed effectively and proactively in debates at all meetings and devoted adequate time. Committees have also operated effectively.

Pursuant to the applicable provisions of the Act and the Listing Regulations, the Board has carried out an Annual Evaluation of its own performance, performance of the

Directors and the working of its Committees, based on the evaluation criteria defined by Nomination and Remuneration Committee (NRC) for performance evaluation process of the Board, its Committees and Directors.

The performance of the Board was evaluated by the Board after seeking inputs from all the Directors on the basis of criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members on the basis of criteria such as the composition of committees, effectiveness of Committee meetings, etc.

The performance assessment of Non-independent Directors, Board as a whole and the Chairman were evaluated at separate meetings of Independent Directors. The same was also discussed in the meetings of NRC and the Board. Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

3.3. Stakeholders Relationship Committee

3.3.1 Constitution and Composition

The Stakeholders Relationship Committee was constituted on February 6, 2018 in compliance with the provisions of section 178 of the Companies Act, 2013 and Regulation 20 of Listing Regulations.

The constitution of the Stakeholders Relationship Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Gautam Khandelwal	Chairman	Non-executive, Independent Director
Mr. Arjun Jain	Member	Executive, Non-independent Director
Mr. Vinish Kathuria	Member	Non-executive, Independent Director

Mr. Gautam Khandelwal, Chairman of the Committee was present at the last Annual General Meeting to answer security holders' queries.

3.3.2. Terms of Reference

The terms of reference of the Stakeholders Relationship Committee cover all the areas mentioned under Section 177 of the Companies Act, 2013 and Regulation 20 of Listing Regulations. The broad terms of reference of the Stakeholders Relationship Committee therefore include redressal of grievances of Shareholders, Debenture Holders and Other Security Holders, analyse reports received periodically from the Registrar and the Share Transfer Agent ("RTA"), Allotment of shares, approval of transfer or transmission of shares, Debentures or any other securities and dividend related matters. Detailed terms of reference of the Committee are available on the Company's website https://varroc.com/investors/board-of-directors-committees/.

3.3.3. Attendance

During the Financial Year ended on March 31, 2021, One (1) meeting of the Stakeholders relationship Committee was held on June 25, 2020. The Attendance of the Directors at these Committee meetings is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Gautam Khandelwal	1	1	1
Mr. Ashwarni Maheshwari*	1	-	-
Mrs. Vijaya Sampath@	1	1	1
Mr. Arjun Jain$	1	1	1
Mr. Vinish Kathuria#	1	-	NA

Note:

*- Resigned from the Committee w.e.f. April 29, 2020

@ - Resigned from the Committee w.e.f. August 14, 2020

$- Inducted in the Committee w.e.f. April 29, 2020

- Inducted in the Committee w.e.f. August 14, 2020

3.3.4 Compliance Officer

Mr. Ajay Kumar Sharma, Company Secretary is the Secretary of this Committee and the Compliance Officer and his contact details are given below:

The Company Secretary
Varroc Engineering Limited
Regd. Office: Plot No. L-4, MIDC, Waluj,
Aurangabad– 431 136,
Maharashtra State, India
Phone: (0240) 6653662
E-mail: investors@varroc.com

3.3.5 Pledge of shares

No pledge has been created over the Equity Shares held by the Promoters as on March 31, 2021.

3.3.6 Details of Complaints from Shareholders

No. of complaints remaining unresolved as on 01.04.2020	0
No. of complaints received during the year	1
No. of complaints resolved during the year	0
No. of complaints unresolved as on 31.03.2021	1

Note: Investor complaint which was pending as on March 31, 2021 is attended to/resolved as on date of this Report.

The Company did not receive any complaints from other Security holders during the year.

The Registrar and Share Transfer Agents (RTA), M/s. Link Intime India Private Limited, attend to all grievances of Shareholders received directly or through SEBI, Stock Exchanges or the Ministry of Corporate Affairs. Most of the grievances/correspondences are attended within a period of 7 days from the date of receipt of such grievances.

The Company maintains continuous interaction with the RTA and takes proactive steps and actions for resolving Shareholder complaints/ queries. Likewise, the Company also has regular interaction with the Debenture Trustees to ascertain the grievances, if any, of the Debenture holders.

3.4. Corporate Social Responsibility Committee

3.4.1 Constitution and Composition

The Corporate Social Responsibility Committee was constituted on April 7, 2014 in compliance with the provisions of Section 135 of the Companies Act, 2013.

The constitution of the Corporate Social Responsibility Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Tarang Jain	Chairman	Executive, Non-independent Director
Mr. Gautam Khandelwal	Member	Non-executive, Independent Director
Mr. Arjun Jain	Member	Executive, Non-independent Director

3.4.2. Terms of Reference

The terms of reference of this Committee is to comply with the requirements of section 135 of the Companies Act, 2013, the Companies (Corporate Social Responsibility Policy) Rules, 2014 and all other relevant compliances. Detailed terms of reference of the Committee are available on the Company's website https://varroc.com/investors/board-of-directors-committees/.

Further Corporate Social Responsibility Policy is available on the Company's website https://varroc.com/investors/corporate-governance/.

3.4.3. Attendance

During the Financial Year ended on March 31, 2021, 2(Two) meetings of the Corporate Social Responsibility Committee were held on June 25, 2020 and February 9, 2021. The Attendance of the Directors at these Committee meetings is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Tarang Jain	2	2	2
Mr. Gautam Khandelwal	2	2	2
Mr. Ashwani Maheshwari*	2	NA	NA
Mr. Arjun Jain$	2	2	2

*- Resigned from the Committee w.e.f. April 29, 2020

$- Inducted in the Committee w.e.f. April 29, 2020

3.5. Risk Management Committee

Risk Management Committee was constituted on April 3, 2019, in compliance with the provisions of Regulation 21 of Listing Regulations.

The constitution of the Risk Management Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Vijaya Sampath	Chairperson	Non-executive, Independent Director
Mr. Vinish Kathuria	Member	Non-executive, Independent Director
Mr. Tarang Jain	Member	Executive, Non-independent Director
Mr. Arjun Jain	Member	Executive, Non-independent Director
Mr. T. R. Srinivasan	Member	Group Chief Financial Officer
Mr. Lalit Dua	Member and Convener	Group Internal Auditor

The Company Secretary is the Secretary to the Risk Management Committee.

3.5.2. Terms of Reference

The terms of reference of this Committee is to comply with the requirements of Regulation 21 of the Listing Regulations. The broad terms of reference of the Committee therefore include the ensuring adequacy of the Company's processes for managing risk; the policies and procedure that have been established and implemented to identify, assess, monitor and manage material business risks including cyber security; formulation an action plan to address areas of identified risk and monitor implementation programmes and any incident involving fraud or other break down of the Company's internal control; review and making recommendations on the strategic direction, objectives and effectiveness of the Company's risk management policies; review of Company's insurance programme, having regard to the Company's business and the insurable risks associated with its business; and perform such other functions as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee. Detailed terms of reference of the Committee are available on the Company's website https://varroc.com/investors/board-of-directors-committees/

3.5.3. Attendance

During the Financial Year ended on March 31, 2021, 1 (One) meeting of the Risk Management Committee were held on November 10, 2020. The Attendance of the Directors at the said Committee meeting is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Vijaya Sampath	1	1	1
Mr. Vinish Kathuria	1	1	1
Mr. Tarang Jain	1	1	1
Mr. Ashwani Maheshwari	NA	NA	NA
Mr. Arjun Jain	1	1	1
Mr. T. R. Srinivasan	1	1	1
Mr. Lalit Dua	1	1	1

*- Resigned from the Committee w.e.f. April 29, 2020

$- Inducted in the Committee w.e.f. April 29, 2020

3.6. Other Committees

A. Finance Committee

Constitution and Composition

The Finance Committee was constituted on February 6, 2018. The constitution of the Finance Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Tarang Jain	Chairman	Executive, Non-independent Director
Mr. T R. Srinivasan	Member	Group Chief Financial Officer
Mr. Arjun Jain	Member	Executive, Non-independent Director

Terms of Reference

The terms of reference of this Committee is to comply with the powers delegated by the Board of Directors under the provisions of Section 179 of the Companies Act, 2013 and subject to the Memorandum and Articles of Association other matters related to banking, security creation, legal matters – litigation and authorisation, forex and related risk cover etc. The Committee is required to oversee and approve matters pertaining to finance and operations of the Company in the normal course of business.

Attendance

During the Financial Year ended on March 31, 2021, 4 (Four) meeting of the Finance Committee were held on June 22, 2020, July 9, 2020, September 24, 2020 and February 12, 2021. The Attendance of the members at the said Committee meetings is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Naresh Chandra*	4	3	0
Mr. Tarang Jain	4	4	3
Mr. Ashwani Maheshwari#	NA	NA	NA
Mr. Arjun Jain$	4	4	4
Mr. T. R. Srinivasan$	4	4	3

Note:

#- Resigned from the Committee w.e.f. April 29, 2020

$- Inducted in the Committee w.e.f. April 29, 2020

*- Resigned from the Committee w.e.f. November 10, 2020

B. Committee of Directors (Capital Raising)

Constitution and Composition

The Committee of Directors (Capital Raising) was constituted on January 13, 2021. The constitution of the Committee as on March 31, 2021 is as follows:

Name of Director	Position in the Committee	Category
Mr. Tarang Jain	Chairman	Executive, Non-independent Director
Mrs. Vijaya Sampath	Member	Non-Executive Independent Director
Mr. Arjun Jain	Member	Executive, Non-independent Director

Terms of Reference

The Committee of Directors (Capital Raising) committee shall function in accordance with the powers delegated by the Board and subject to the Memorandum and Articles of Association of the Company. The terms of reference of the Committee includes to take all decisions and approve, negotiate, finalise and carry out all activities relating to issuance of fresh/ new Equity Shares of the Company through one or more public or private offerings or any other method or combination thereof for achieving Minimum Public Shareholding. Post QIP, the Committee stands dissolved.

Attendance

During the Financial Year ended on March 31, 2021, 1 (One) meeting of the Committee was held on March 25, 2021. The Attendance of the Directors at the said Committee meeting is given below:

Name of the Director	No. of Meetings		
	Held	Eligible to attend	Attended
Mr. Tarang Jain	1	1	1
Mrs. Vijaya Sampath	1	1	1
Mr. Arjun Jain	1	1	1

4. General Body Meetings

4.1 Annual General Meetings

During the preceding three years, the Annual General Meetings (AGMs) of the Company were held at its Registered office at Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad – 431 136, Maharashtra.

The details AGMs for preceding three years are tabulated below:

AGM	Date and time of AGM	Details of special Resolution(s) passed at the AGMs
30th	September 5, 2018 10:00 a.m.	1. Re-appointment of Mr. Naresh Chandra as Chairman of the Company 2. Appointment of Mr. Arjun Jain as Whole Time Director
31st	August 9, 2019, 10:00 a.m.	1. To Increase borrowing limits of the Company up to ₹2,000 croress 2. Creation of Mortgage/Charge on the assets of the Company upto ₹2,000 croress 3. Increase in the limits applicable for making investments/extending loans and giving guarantees or providing securities in connection with loans to Persons/ Bodies Corporate upto ₹1,800 croress
32nd	August 14, 2020 , 11:00 a.m.	1. Appointment of Mr. Rohit Prakash (DIN: 02425849) as Whole Time Director of the Company for a period of 5 years 2. Re-appointment of Mr. Vijaya Sampath (DIN: 00641110) as Independent Director of the Company for a further period of 5 years 3. Re-appointment of Mr. Gautam Khandelwal (DIN: 00270717)as Independent Director of the Company for a further period of 5 years 4. Re-appointment of Mr. Marc Szulewicz (DIN: 01911768)as Independent Director of the Company for a further period of 5 years 5. Issue of Non-convertible Debentures on Private Placement Basis

4.2 Details of Special Resolutions passed at the Extraordinary General Meetings ("EGMs") held during the preceding three years are tabulated below:

Date and time of EGM	Place	Details of special Resolution(s) passed at the EGM, if any
January 25, 2018, 11.00 a.m.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. To Convert the status of the Company from Pvt. Ltd. to public Ltd 2. To sub-divide face value of shares and Re-classify the Authorised Share Capital
February 13, 2018, 11.00 a.m.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. Appointment of Mr. Tarang Jain as Managing Director 2. Appointment of Mr. Ashwani Maheshwari as Whole Time Director
March 25, 2018, 11.30 a.m.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. Adoption of New set of Article of Association of the Company
May 28, 2018, 11:30 a.m.	74-B, 7th Floor, Nariman Bhavan, Nariman Point, Mumbai	1. Revision in remuneration payable to Mr. Tarang Jain, Managing Director w.e.f. 01/04/2018 2. Approval of Related Party Transaction Revision in remuneration payable to Mr. Arjun Jain – Business Head – Electrical Division w.e.f. 01/04/2018 3. Revision in remuneration payable to Mr. Ashwani Maheshwari, CEO & Whole Time Director w.e.f. 01/04/2018

4.3 At the ensuing 33rd Annual General Meeting to be held on Wednesday, August 25, 2021, Three (3) Resolutions are proposed to be passed as a special Resolution.

4.4 Postal Ballot

The Company had sought the approval of the Shareholders by way of a Special Resolution through Notice of Postal Ballot dated January 13, 2021 for issuance of fresh/ new Equity Shares of the Company through one or more public or private offerings or any other method or combination thereof for achieving Minimum Public Shareholding.

Pursuant to Sections 108, 110 and other applicable provisions, if any, of the Act, (including any statutory modification or re-enactment thereof for the time being in force) read with Rule 20 and Rule 22 of the Companies (Management and Administration) Rules, 2014 (the Rules), as amended from time to time, the General Circular No. 14/2020 dated April 8, 2020, the General Circular No. 17/2020 dated April 13, 2020, the General Circular No. 22/2020 dated June 15, 2020 and the General Circular No. 39/2020 dated December 31, 2020, in relation to "Clarification on passing of Ordinary and Special Resolutions by companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by Covid - 19" issued by the Ministry of Corporate Affairs, Government of India ("the MCA Circulars") and the Securities and Exchange Board of India ("SEBI") vide its circular dated May 12, 2020, as amended, in relation to Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations") due to the COVID-19 pandemic ("SEBI Circulars") Secretarial Standard on General Meetings ("SS-2"), Regulation 44 of the Listing Regulations (including any statutory modification or re-enactment thereof for the time being in force), the Company provided only the remote e-Voting facility to its Members, to enable them to cast their votes electronically.

The Company engaged the services of National Securities Depository Limited (NSDL) for facilitating remote e-Voting to enable the Members to cast their votes electronically.

Due to threat posed by COVID-19 and in terms of the MCA and SEBI Circulars, the Company sent the Postal Ballot Notices in electronic form only to its registered Shareholders whose e-mail IDs were registered/available with the Depository Participants (DPs)/Registrars and Share Transfer Agents (RTA) as on a cut-off date.

Voting rights were reckoned on the paid-up value of the shares registered in the names of the Members as on the cut-off date i.e. Friday, January 15, 2021. Members desiring to exercise their votes by electronic mode were requested to vote before close of business hours on the last date of e-Voting. The Remote e-voting period commenced on Tuesday, January 19, 2021, at 9:00 a.m. (IST) and ended on Wednesday, February 17, 2021 at 5:00 p.m. (IST).

Mrs. Uma Lodha of M/s. Uma Lodha & Co., Practicing Company Secretaries (Membership No. FCS: 5363), was appointed as the Scrutiniser to scrutinise the Postal Ballot process only by voting through electronic means (remote e-voting) in a fair and transparent manner. The Scrutiniser, after the completion of scrutiny, submitted her report to Mr. Ajay Sharma, Group General Counsel and Company Secretary who was authorised to accept, acknowledge and countersign the Scrutiniser's Report as well as declare the voting results in accordance with the provisions of the Act, the Rules framed thereunder and the Secretarial Standard 2 on General Meetings. The Consolidated results of the voting by Postal Ballot and e-Voting were then announced by Mr. Ajay Sharma.

The Resolution was passed with overwhelming majority on the last date of e-voting i.e. on Wednesday, February 17, 2021 and the results of which were announced on February 18, 2021. The results were also displayed at the Registered Office of the Company and on the Company's website https://varroc.com/wp-content/uploads/bsk-pdf-manager/2021/02/Intimation-of-Postal-Ballot-Results-and-Scrutinisers-report.pdf besides being communicated to BSE Limited (BSE), National Stock Exchange of India Limited (NSE).

Details of Voting Pattern:

(i) Voted in favour of the Resolution:

Mode of Voting	Number of members voted	Number of votes cast	% of total number of Valid votes Cast
Voted through Remote e-voting	240	124,079,526	99.97%
Total	**240**	**124,079,526**	**99.97%**

(ii) Voted against the Resolution:

Mode of Voting	Number of members voted	Number of votes cast	% of total number of Valid votes Cast
Voted through Remote e-voting	33	40,707	0.03 %
Total	**33**	**40,707**	**0.03 %**

(iii) Abstained Votes:

Mode of Voting	Number of Members whose votes were invalid	Number of shares held by them
Voted through Remote e-voting	Nil	Nil
Total	**Nil**	**Nil**

No Special Resolution is currently proposed to be conducted through postal ballot.

5. Means of Communication

The Company got listed on Stock Exchanges i.e. National Stock Exchange and Bombay Stock Exchange on July 6, 2018. The Company recognises the importance of two-way communication with Shareholders and of giving a balanced reporting of results and progress and responds to questions and issues raised in a timely and consistent manner. Shareholders seeking information may contact the Company directly throughout the year. They also have an opportunity to ask questions in person at the Annual General Meeting.

Some of the modes of communication are mentioned below:

A. Quarterly Results

The approved Financial Results are forthwith sent to the Stock Exchanges where the shares are listed and are displayed on the Company's website www.varroc.com and are generally published in The Financial Express/ Business Standard (all editions) (English) and Loksatta (Marathi), within forty-eight hours of approval thereof.

Post results, an Investor Conference call is held where members of the financial community are invited to participate in the Q&A session with the Company's management. The key highlights are discussed and investor/analyst queries are resolved in this forum. The quarterly, half-yearly and Annual Financial Results are also uploaded on the Company's website.

B. Presentations

Presentations made to the Institutional Investors/Analysts are intimated to the Stock Exchanges within the prescribed time period under the Listing Regulations and are simultaneously hosted on the website.

C. Website

Comprehensive information about the Company, its business and operations, Press Releases and investor information can be viewed at the Company's website www.varroc.com. The website contains a separate dedicated section for Investors, the link to which is https://varroc.com/investors/corporate-governance/ which serves to inform the investors by providing key and timely information like Financial Results, Annual Reports, Shareholding pattern, presentations made to Analysts, etc. and relevant policies as required under applicable Regulatory Requirements.

D. Annual Report

The Annual Report containing inter-alia the Auditors' Report, Audited Standalone and Consolidated Financial Statements, Board's Report, Management Discussion and Analysis Report, Corporate Governance Report and other important corporate information is circulated to Members and others entitled thereto. The Annual Report is also posted on the website of the Company in a user-friendly downloadable form.

E. NSE Electronic Application Processing System (NEAPS) and BSE Online Portal:

NSE has provided online platform NEAPS wherein the Company submits all the compliances/ disclosures to the Stock Exchanges in the SEBI prescribed format. Similar filings are made with BSE on their online Portal viz. BSE Corporate Compliance & Listing Centre.

F. eXtensible Business Reporting Language (XBRL):

XBRL is a standardised and structured way of communicating business and financial data in an electronic form. XBRL provides a language containing various definitions (tags) which uniquely represent the contents of each piece of Financial Statements or other kinds of compliance and business reports. BSE and NSE provide XBRL based compliance reporting featuring identical and homogeneous compliance data structures between Stock Exchanges and MCA. XBRL filings are done on the NEAPS portal as well as the BSE online portal.

G. Designated Exclusive E-mail ID

The Company has designated the E-mail ID investors@varroc.com exclusively for investor servicing. This E-mail ID has been displayed on the Company's website www.varroc.com

6. General Shareholder Information

6.1 Date, time & venue of the Annual General Meeting:

The date, time and venue of the 33rd Annual General Meeting of the Company is as under:

Date:	Wednesday, August 25, 2021
Time:	11:00 a.m.
Venue:	Through Video Conferencing/Other Audio Visual Means as set out in the Notice convening the Annual General Meeting

6.2 Financial year

The Financial Year of the Company starts on April 1 and ends on March 31 of next year.

6.3. Cut Off Date:

6.3.1. Cut Off Date for determining Shareholders who will be entitled to vote electronically on the Resolutions mentioned in the Notice convening the Annual General Meeting by remote e-Voting and also vote at the meeting venue is Wednesday, August 18, 2021.

6.4. Electronic Voting

6.4.1. Pursuant to section 108 and other applicable provisions of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and other applicable requirements, voting at the 33rd Annual General Meeting will be made through electronic voting. The electronic voting ("E-Voting") period will be from 9:00 a.m. on Sunday, August 22, 2021 to 5:00 p.m. on Tuesday, August 24, 2021, both days inclusive.

6.4.2. The following Special Resolution(s) are proposed to be conducted through electronic voting for:

1. Approval for payment of remuneration to Mr. Tarang Jain, Chairman and Managing Director
2. Approval for payment of remuneration to Mr. Arjun Jain, Whole Time Director
3. Issue of Non-convertible Debentures on Private Placement Basis

6.4.3. Scrutiniser for electronic voting:

Mrs. Uma Lodha, Proprietor of Uma Lodha & Co, Practicing Company Secretaries (Membership No. 5363 and C.P. No. 2593) of Suite No. 507, 5th Floor, Highway Commercial Centre, I.B Patel Road, Goregaon East, Mumbai – 400063 [Phone: (022) 022-40131001/ 40131002 E-mail: uma@umalodha.com been appointed as the Scrutiniser to scrutinise the electronic voting process and the voting at the venue of the Annual General Meeting in a fair and transparent manner and to give her report to the Chairman.

6.5. Listing on Stock Exchanges:

The Company has listed its Equity Shares at the following Stock Exchanges on July 6, 2018 with the ISIN **INE665L01035:**

Sr. No.	Name	Address	Stock Code
1	BSE Limited (BSE)	1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	541578
2	National Stock Exchange of India Limited (NSE)	Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051	VARROC

Listing and Custodial Fees:

The Company has paid the requisite Annual Listing and Custodial Fees to the Stock Exchanges and Depositories viz. Central Depository Services (India) Limited (CDSL) and NSDL, respectively for the Financial Years 2020-21 and 2021-22. Further, all requirements of the Stock Exchanges where the shares of the Company are listed, including submission of quarterly reports and certificates, were complied with.

6.6 Market Price Data

The Company got listed on Stock Exchanges i.e. National Stock Exchange and Bombay Stock Exchange w.e.f. July 6, 2018.

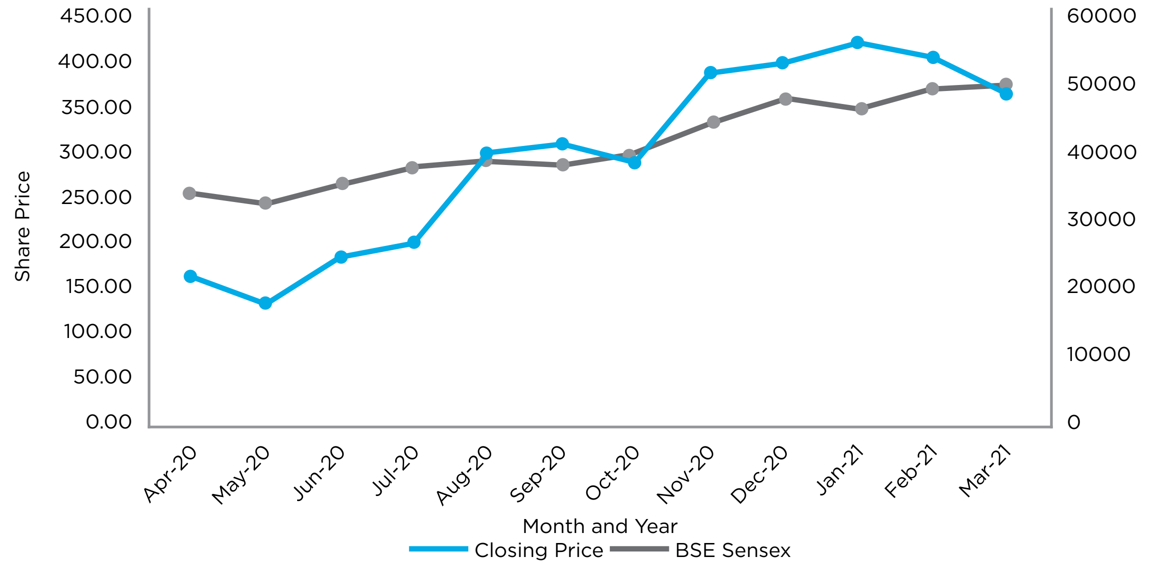
High and Low price of the Company's Equity Shares during each month of the last Financial Year 2020-21 at BSE and NSE are given below:

Month	BSE		NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April, 2020	160.10	119.20	160.05	120.00
May, 2020	167.00	127.20	159.00	127.00
June, 2020	208.00	133.00	207.00	132.55
July, 2020	240.15	177.10	240.35	177.00
August, 2020	362.35	191.00	363.30	195.00
September, 2020	350.00	270.40	350.00	271.25
October, 2020	335.10	285.70	335.00	283.35
November, 2020	388.60	277.90	389.00	277.20
December, 2020	457.00	342.80	444.00	346.00
January, 2021	447.25	386.00	447.70	385.05
February, 2021	499.95	381.05	477.65	381.50
March, 2021	429.90	360.15	424.60	360.00

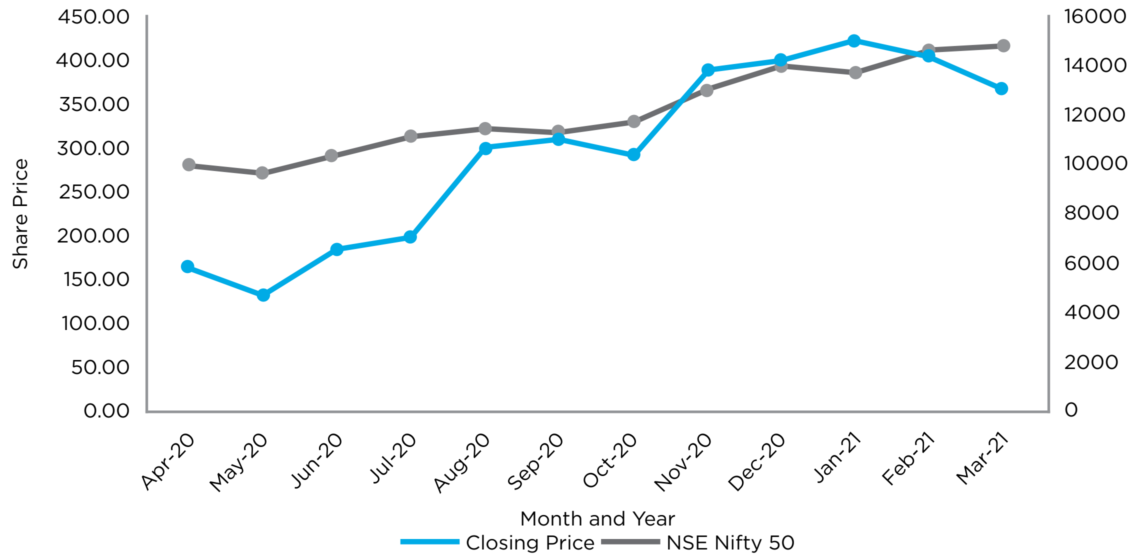
Stock Performance vs S&P BSE Sensex and NIFTY 50

Performance of the Company's Equity Shares on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") relative to the BSE Sensex and NIFTY 50 respectively are graphically represented in the charts below:

BSE Sensex Vs Varroc Share Price



Nifty 50 Vs Varroc Share Price



Liquidity

The shares of the Company are actively traded on BSE and NSE ensuring good liquidity for the investors.

6.7 Registrar to Issue and Share Transfer Agent

The Company vide Agreement dated March 9, 2018 has appointed the following agency to act as its Registrar and Share Transfer Agent ("RTA"). The RTA is, *inter alia*, responsible for processing of requests pertaining to share transfers/ transmission/ dematerialisation/ rematerialisation and other activities related thereto for both electronic and physical Shareholdings. Further, RTA also handles Corporate Actions such as data requirements for conduct of AGMs, dividends etc. The RTA corresponds with the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in this regard.

Link Intime India Private Limited

C 101, 247 Park, L B S Marg,
Vikhroli West, Mumbai - 400 083
Tel No. +91 22 49186000/6270
Fax: +91 22 49186060
Contact Person: Ms. Jiny Elizabeth
SEBI Registration No.: INR000004058

6.8 Share Transfer System

The entire share capital of the Company is in dematerialised form. The shares can be transferred by Shareholders through their Depository Participants.

6.9 Distribution of Shareholding as on March 31, 2021

The below two tables provide details about the pattern of Shareholding among various categories and number of shares held, as on March 31, 2021.

No. of Shares held	No. of Shareholders	% to total no. of Shareholders	No. of shares	% to total no. of shares
1 - 500	53,319	96.73	2,446,235	1.60
501 - 1000	868	1.57	664,610	0.44
1001 - 2000	470	0.85	687,718	0.45
2001 - 3000	124	0.22	311,949	0.20
3001 - 4000	63	0.11	224,018	0.15
4001 - 5000	67	0.12	314,260	0.21
5001 - 10000	86	0.16	625,359	0.41
Above - 10001	127	0.23	147,512,251	96.55
Total	**55,124**	**100.00**	**152,786,400**	**100.00**

Equity Shares

Category	Category of Shareholder	No. of fully paid up Equity Shares held	%
(A)	**Promoter & Promoter Group**	114,589,800	75.00
(B)	**Public**	38,196,600	25.00
	Institutions:		
	Mutual Funds	20,622,319	13.50
	Alternate Investment Funds	50,254	0.03
	Foreign Portfolio Investors	7,964,863	5.21
	Financial Institutions/ Banks	-	-
	Insurance Companies	1,771,954	1.16
	Non-Institutions:		
	Individuals	5,425,756	3.55
	Others:		
	Trust	50	0.00
	HUF	262,075	0.17
	NRIs	505,968	0.33
	Clearing Members	177,804	0.12
	Bodies Corporate	1,415,557	0.93
(C)	**Non-promoter - Non-public**		
(C1)	Shares Underlying DRs	0	0.00
(C2)	Shares Held by Employee Trust	0	0.00
	Total	**152,786,400**	**100.00**

6.11.1 Demat/Remat of shares

During the year, the RTA had received NIL request for rematerialisation of Equity Shares.

The Company's shares are compulsorily traded in dematerialised form. The Company has arrangements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for demat facility.

As at March 31, 2021, 100% Shares of the Company are held in demat form.

Particulars	Position as on March 31, 2021	
	No. of shares	% to total Shareholding
Physical		
Dematerialised		
NSDL	150,099,509	98.24
CDSL	2,686,891	1.76
Total	**152,786,400**	**100.00**

6.10.2 Convertible Instruments

As on March 31, 2021, there is no convertible instruments outstanding in the Company.

6.10.3 Foreign exchange risk and hedging activities

The Company is exposed to Foreign Exchange Risk with respect to foreign currencies, denominated mainly in Euro and US dollars, on revenue and supplies. However, the risk is naturally hedged as the Company' is engaged both in imports and exports and is used to take future cover as the situation so warrants.

6.10.4 Plant Location

The details of manufacturing plants are provided separately in the Annual Report.

6.10.5 Address for correspondence

Investors and Shareholders can correspond with the RTA (for share transfer/ dematerialisation/ change of address etc.) or at Registered office (for general correspondence) at the following address:

Link Intime India Private Limited, Registrar and Transfer Agent	Company
C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai - 400 083 Tel No. +91 22 49186000/6270 Fax: +91 22 49186060 For requests pertaining to dematerialisation/ rematerialisation: Contact person: Mr. Jiny Elizabeth E-mail: jiny.elizabeth@linkintime.co.in	Registered Office Plot No L-4, MIDC Industrial Area, Waluj, Aurangabad - 431 136, Maharashtra Contact person: Mr. Ajay Sharma, Group General Counsel and Company Secretary Telephone: +91 (240) 6653662 Facsimile: +91 (240) 2564540 E-mail: investors@varroc.com

6.11 Transfers during the year to the Investor Education and Protection Fund (IEPF) and Unclaimed Dividend to be transferred to IEPF:

The Company does not have any amount of unclaimed dividend to be transferred to Investor Education and Protection Fund (IEPF).

6.13. Unclaimed Shares

As on March 31, 2021 there were no shares of any Shareholder lying unclaimed with the Company or lying in the suspense account. The disclosure required to be given under Regulation 34(3) read with Clause F of Schedule V of Listing Regulations are therefore not applicable.

7. Other Disclosures

a) Related Party Transactions

During the year, as required under Section 177 of the Act and Regulation 23 of Listing Regulations, all RPTs were placed before Audit Committee for approval. A statement tabulating the value and nature of transactions with Related Parties as required under Accounting Standard 18 (Ind AS 24) is set out separately under Note No. 47 to the Financial Statements in this Annual Report.

During the year, there were no material transactions entered into with Related Parties, which may have had any potential conflict with the interests of the Company.

The Policy on determining materiality of and dealing with Related Party Transactions' and Policy on determining of Material Subsidiary is placed on Company's website at https://varroc.com/investors/corporate-governance/.

b) Details of Capital Market Non-Compliance, if any

The Company has listed its Equity Shares on 06th July 2018. There has been no non-compliance by the Company of any legal requirements; nor has there been any penalty/ stricture imposed on the Company by any Stock Exchange, SEBI or any other Statutory Authority on any matter related to Capital Market.

c) Whistle-Blower Policy/Vigil mechanism

Pursuant to Section 177(9) of the Act, the Board at its meeting held on April 7, 2014, adopted the Whistle-Blower Policy. The Whistle-Blower Policy includes vigil mechanism as mandated under the Listing Regulations and provides a mechanism for Director/employee to report violations, any unethical behaviour, suspected or actual fraud, violation of the Code of Conduct etc. which could be detrimental to the organisation's interest. The mechanism protects whistle-blower from any kind of discrimination, harassment, victimisation or any other unfair employment practice. The Whistleblower Policy was amended in line with the amendments brought in through SEBI (Prohibition of Insider Trading) (Amendments) Regulations, 2018, enabling employees to report Insider Trading violations as well as reporting of instances of leak of Unpublished Price Sensitive Information. The Company affirms that no employee has been denied access to the Audit Committee.

The said Policy is placed on the Company's website at https://varroc.com/investors/corporate-governance/.

d) Disclosure of material transactions

In terms of Regulation 26(5) of the Listing Regulations, Senior Management has made disclosure to the Board relating to all material financial and commercial transactions, if any, where they had personal interest that might have been in potential conflict with the interest of the Company. Based on disclosures received, none of the officials in Senior Management team of the Company have personal interest in any financial or commercial transactions that may have potential conflict with the interest of the Company.

e) Disclosures of the Compliance with corporate governance under Regulations 17 to 27 of the Listing Regulations except those which are already disclosed elsewhere in this report:

i. **Orderly succession to Board and Senior Management:**

The Board has satisfied itself that in the event of a requirement for addition/ succession at the Board level or in the Senior Management, there is a process in place.

ii. **Compliance Certificate:**

Chairman and Managing Director and Whole Time Director and Group Chief Financial Officer have certified to the Board with regard to the Financial Statements and other matters as required under Regulation 17(8), read with Part B of Schedule II to the Listing Regulations and the same is given in this Annual Report.

iii. **Report on Corporate Governance:**

This section, read together with the information given in the Board's Report, Management Discussion and Analysis section and General Shareholder Information, constitute the compliance report on Corporate Governance during the year. The Company submits the quarterly compliance report on regular basis to the Stock Exchanges as required under Regulation 27 of the Listing Regulations.

iv. The Company has adopted following discretionary requirements specified in Part E of Schedule II of the Listing Regulations:

- Unmodified opinion(s) in Audit Report:

  Company has submitted a declaration with the Stock Exchanges that the Statutory Auditors of the Company have issued Audit Report on Audited Financial Results for year ended March 31, 2021 with unmodified opinion.

- Reporting of Internal Auditor:

  The Internal Auditors of the Company report directly to the Audit Committee.

v. Certificate from Practicing Company Secretary on compliance of Corporate Governance conditions

The Company has obtained the Certificate from a Practicing Company Secretary regarding compliance with the provisions relating to Corporate Governance laid down in Part E of Schedule V to the Listing Regulations along with Certificate to the effect that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as Director of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

These Certificate(s) are annexed to the Board's Report and will be sent to the Stock Exchanges, along with the Annual Report to be filed by the Company.

Certificate on Corporate Governance

To,
The Members
Varroc Engineering Limited
Plot No. L-4, MIDC, Waluj,
Aurangabad- 431136

We have examined the compliance of conditions of Corporate Governance by **M/S. VARROC ENGINEERING LIMITED (CIN: L28920MH1988PLC047335)** (the Company) for the year ended March 31, 2021 as stipulated in the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as "SEBI Listing Regulations, 2015) as referred in Regulation 15(2) of the listing regulations for the period from April 1, 2020 to March 31, 2021.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with all the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Uma Lodha & Co.**
Practicing Company Secretaries

Uma Lodha
Proprietor
C.P. No. 2593
Membership No. 5363
UDIN:: F005363C000419403

Place: Mumbai
Date: June 4, 2021

Certificate of Non-Disqualification of Directors

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
Varroc Engineering Limited
Plot No. L-4, MIDC, Waluj,
Aurangabad- 431 136.

We have examined the relevant registers, records, forms, returns and disclosures received from Directors of Varroc Engineering Limited having CIN No. L28920MH1988PLC047335 and having Registered Office at Plot No. L-4, MIDC, Waluj, Aurangabad- 431 136 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN:) status at the portal (www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of Director	DIN:	Date of Appointment in the Company
1	Tarang Jain	00027505	11/05/1988
2	Gautam Khandelwal	00270717	24/03/2011
3	Vijaya Sampath	00641110	20/07/2017
4	Marc Szulewicz	01911768	20/07/2017
5	Vinish Kathuria	01951771	06/02/2018
6	Arjun Jain	07228175	07/08/2018
7	Rohit Prakash	02425849	29/04/2020

Ensuring the eligibility of for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Uma Lodha & Co.**
Practicing Company Secretaries

Uma Lodha
Proprietor
C.P. No. 2593
Membership No. 5363
UDIN:: F005363C000419403

Place: Mumbai
Date: June 4, 2021

Declaration by Managing Director Under Regulation 34(3) Read with part D of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

June 4, 2021

The Members,
Varroc Engineering Limited
Plot No. L-4, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

Sub: Declaration regarding compliance with the Company's Code of Conduct for Directors and Senior Management

I, Tarang Jain, Chairman and Managing Director of Varroc Engineering Limited, hereby declare that all the members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct for Directors and Senior Management of the Company for FY2021.

For **Varroc Engineering Limited**

Tarang Jain
Chairman and Managing Director
DIN:: 00027505

Compliance Certificate Under Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

June 04, 2021

The Members,
Varroc Engineering Limited
Plot No. L-4, MIDC Industrial Area,
Waluj, Aurangabad – 431 136

Sub: Compliance certificate under Regulation 17 (8) read with Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This is to certify that for the Financial Year ended March 31, 2021:

1. We have reviewed the Financial Statements and the Cash Flow Statement for the year as aforesaid and to the best of our knowledge and belief:

    a) these Financial Statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

    b) these statements together present a true and fair view of the Company's affairs and are in compliance with Indian Accounting Standards (Ind AS), applicable laws and regulations;

2. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct for Directors and Employees;

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the Internal Control Systems for financial reporting of the Company and there were no deficiencies in the design or operation of such internal controls; and

4. We have indicated to the Auditors and the Audit Committee:

    a) that there were no significant changes in internal control, over financial reporting, during the year;

    b) all significant changes in the accounting policy during the year, if any, have been disclosed in the notes in respective place in the financial statements; and

    c) there were no instances of fraud, of which we have become aware of.

For **Varroc Engineering Limited**

Tarang Jain
Chairman and Managing Director
DIN: 00027505

T. R. Srinivasan
Group Chief Financial Officer

Financial statements

Financial Statements

Independent Auditor's Report

To the Members of Varroc Engineering Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of Varroc Engineering Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013, as amended (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
De-recognition of trade receivables under factoring arrangements (*as described in note 2A of the standalone financial statements*)	
The Company enters into non-recourse factoring arrangements for its trade receivables with various banks/ financial institutions. As at March 31, 2021, the Company derecognised trade receivables amounting to ₹1451.78 million. The Company derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of derecognition of trade receivables under the factoring arrangements is complex and requires judgement. Accordingly, this has been identified as a key audit matter in our audit of the standalone financial statements	The audit procedures performed by us included the following: • We evaluated the assessment made by management in respect of transfer of substantially all risks and rewards of ownership of the financial asset under the factoring contracts; • Read samples of factoring contracts to understand the terms and assessed if they qualify as non-recourse agreements and further assessed the accounting as per the requirements of Ind AS 109, "Financial Instruments"; • Assessed the disclosures in the standalone financial statements for compliance with the relevant accounting standard requirements.
Testing of compliance with Debt covenants (*as described in note 20 of the standalone financial statements*)	
The total borrowings of the Company as at March 31, 2021 was ₹5,052.66 million. The Company has availed various long-term borrowings. These borrowings have loan covenants with respect to debt-equity, debt service coverage, etc. non-compliance of which gives right to the lender to demand immediate repayment of the loan and/or penal interest. We identified this as a key audit matter in our audit of the standalone financial statements considering the quantum of borrowings and the significant implications in case of non-compliance with loan covenants.	The audit procedures performed by us included the following: • We evaluated the Company's assessment and workings for compliance with the relevant loan covenants as applicable to various borrowings of the Company; • We tested the underlying calculations used in the Company's assessment of debt covenants for a sample of loan contracts; • In case of non-compliance with any of the debt covenants, we read the covenant waiver letter from lenders where available. In the absence of waiver letters, we assessed the consequent reclassification of the respective borrowing from non-current to current. • We assessed the disclosures in the standalone financial statements for compliance with the relevant accounting standard requirements.
Merger of Varroc Lighting Systems (India) Private Limited (wholly-owned subsidiary of the Company) with Varroc Engineering Limited *(as described in note 40 of the standalone financial statements)*	
Pursuant to provisions of Section 230-232 of the Companies Act, 2013, the Board of Directors of the Company on November 12, 2019 approved the scheme of amalgamation of Varroc Lighting Systems (India) Private Limited ('VLSIPL') (wholly-owned subsidiary of the Company) with Varroc Engineering Limited ('VEL') with appointed date of April 01, 2020 ('the Scheme'). National Company Law Tribunal ('NCLT') approved the above scheme vide its order dated November 02, 2020 and the merger became effective on December 07, 2020 on filing of the NCLT order with the Registrar of Companies. The merger has been accounted for as a business combination of entities under common control as per Appendix C to Ind AS 103 – Business Combinations. Consequently, all the comparative periods presented in the financial statements have been restated to include the effect of this merger. We identified this as a key audit matter in our audit of the standalone financial statements as the merger is considered a significant event that occurred during the year.	The audit procedures performed by us included the following: • We inspected the documents filed by the Company with the Registrar of Companies including the NCLT order with respect to the merger of VLSIPL with VEL based on which the Scheme became effective. • We read the accounting treatment in the Scheme as sanctioned by NCLT. • We assessed the workings prepared by management for merger of VLSIPL with VEL including the workings prepared for restatement of comparative figures for Previous year as required by Appendix C to Ind AS 103. • We evaluated whether the appropriate accounting treatment has been applied to the merger. • We assessed the disclosures in the standalone financial statements for compliance with the relevant accounting standard requirements.

Independent Auditor's Report

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises Corporate Governance Report (but does not include the standalone financial statements and our auditor's report thereon), which we obtained prior to the date of this auditors report, and Board's Report (including the Annexures), Management Discussion and Analysis and Corporate overview and other details to be included in the annual report, which is expected to be made available to us after that date.

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

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

When we read the Board's Report (including the Annexures), Management Discussion and Analysis and Corporate overview and other details included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Standalone Financial Statements

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

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

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

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

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

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 (the "Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.

Independent Auditor's Report

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

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

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

(c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

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

(e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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 these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

(g) In our opinion, the managerial remuneration for the year ended March 31, 2021 has been paid/provided by the Company to its directors in accordance with the provisions of Section 197 read with Schedule V to the Act;

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

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 51 to the standalone financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 27 to the standalone financial statements;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 21105754AAAADB8101

Place of Signature: Pune
Date: June 04, 2021

Annexure 1

referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: Varroc Engineering Limited (the "Company")

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management and audit procedures performed by us, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31, 2021 and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of Section 185 of the Companies Act, 2013 are applicable and hence not commented upon. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of loans and advances given, investments made and guarantees and securities given have been complied with by the Company.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company and hence, not commented upon.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, related to the manufacture of its products and generation of electricity, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of customs, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases in respect of goods and service tax, provident fund, employees' state insurance and Labour Welfare Fund (LWF).

(b) According to the information and explanations given to us and audit procedures performed by us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

Annexure 1

referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax and cess which have not been deposited on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount* (₹ in million)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	12.70	AY2008-09	Bombay High Court, Aurangabad Branch
Income Tax Act, 1961	Income Tax	11.06	AY2015-16	Commissioner of Income Tax (Appeals), Pune
Income Tax Act, 1961	Income Tax	17.77	AY2015-16	Commissioner of Income Tax (Appeals), Pune
The Central Excise Act, 1944	Excise Duty	118.06	FY2011-16	Commissioner of Central Excise, Aurangabad
The Central Excise Act, 1944 & The Finance Act, 1994	Excise Duty and Service Tax	7.04	FY2012-17	Various Tax authorities

* Against the litigation amount as mentioned above, ₹0.26 million have been deposited with the respective authorities.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management and audit procedures performed by us, the Company has utilisedthe monies raised by way of term loans for the purpose for which they were raised. According to the information and explanations given by the management, the Company has not raised any money way of initial public offer/ further public offer/debt instruments.

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

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

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

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

(xiv) According to the information and explanations given by the management and audit procedures performed by us, the Company has complied with provisions of Section 42 of the Companies Act, 2013 in respect of the private placement of equity shares during the year. According to the information and explanations given by the management, out of the total money raised aggregating ₹6,992.22 million, ₹5,757.00 million has been utilised till March 31, 2021 for the purposes for which the funds were raised and surplus funds of ₹1,235.22 million which were not required for immediate utilisation have

Annexure 1

referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

been kept in bank account as at March 31, 2021. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of fully or partly convertible debentures during the year.

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

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

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

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 21105754AAAADB8101

Place of Signature: Pune
Date: June 04, 2021

Annexure 2
TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF VARROC ENGINEERING LIMITED

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to standalone financial statements of Varroc Engineering Limited ("the Company") as of March 31, 2021 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

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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by 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 these standalone financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls with Reference to these Standalone Financial Statements

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

Annexure 2
TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF VARROC ENGINEERING LIMITED

Inherent Limitations of Internal Financial Controls With Reference to Standalone Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 21105754AAAADB8101

Place of Signature: Pune
Date: June 04, 2021

Standalone Balance Sheet

as at March 31, 2021

(₹ in million)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	3	8,893.39	9,071.14
Capital work-in-progress	3	1,245.32	785.87
Investment properties	4	129.67	135.16
Intangible assets	5	535.35	531.20
Intangible assets under development	5	326.49	294.73
Right-of-Use asset	5A	532.47	617.39
Investments in subsidiaries and joint venture	6	10,229.43	4,409.64
Financial assets			
Investments	7	0.15	0.15
Loans	8	52.10	44.42
Other financial assets	9	158.27	125.86
Income tax assets (net)	9A	57.95	78.48
Other non-current assets	10	550.39	309.24
Total non-current assets		**22,710.98**	**16,403.28**
Current assets			
Inventories	11	3,120.98	2,656.16
Financial assets			
Trade receivables	12	3,628.24	2,532.89
Cash and cash equivalents	13	2,467.06	1,257.58
Other bank balances	14	6.85	1.98
Loans	15	65.49	55.42
Other financial assets	16	9.14	24.85
Other current assets	17	1,262.08	1,711.09
Total current assets		**10,559.84**	**8,239.97**
Total Assets		**33,270.82**	**24,643.25**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	18	152.79	134.81
Other equity	19	19,016.83	11,238.45
Total equity		**19,169.62**	**11,373.26**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	20	3,772.83	2,779.49
Lease liabilities	5A	77.25	166.60
Other financial liabilities	21	-	1.68
Provisions	22	135.52	167.93
Deferred tax liabilities (net)	23	609.47	359.02
Other non-current liabilities	24	410.16	156.47
Total non-current liabilities		**5,005.23**	**3,631.19**

Standalone Balance Sheet

as at March 31, 2021

(₹ in million)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020 (Restated)
Current liabilities			
Financial liabilities			
Borrowings	25	4.20	1,422.54
Lease liabilities	5A	102.21	94.26
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	26	1,268.04	682.67
Total outstanding dues other than micro enterprises and small enterprises	26	3,917.03	4,133.88
Acceptances		444.35	144.24
Other financial liabilities	27	2,440.99	2,121.67
Provisions	28	123.64	277.27
Current tax liabilities (net)	9B	66.61	4.42
Other current liabilities	29	728.90	757.85
Total current liabilities		**9,095.97**	**9,638.80**
Total liabilities		**14,101.20**	**13,269.99**
Total equity and liabilities		**33,270.82**	**24,643.25**

Summary of significant accounting policies 2

The accompanying notes are an integral part of these financial statements.

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole-time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Standalone Statement of Profit and Loss
for the year ended March 31, 2021

(₹ in million)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Revenue			
Revenue from operations	30	25,617.78	24,981.50
Other income	31	1,114.15	735.45
Total income		**26,731.93**	**25,716.95**
Expenses			
Cost of materials consumed	32	17,462.19	15,461.27
Changes in inventories of work-in-progress and finished goods	33	(746.45)	207.82
Employee benefits expense	34	2,686.87	2,775.71
Depreciation and amortisation expense	35	1,543.62	1,437.64
Finance costs	36	561.10	450.75
Other expenses	37	3,853.09	4,108.17
Total expenses		**25,360.42**	**24,441.36**
Profit before tax		**1,371.51**	**1,275.59**
Income tax expense			
Current tax		247.55	194.22
Excess provision in respect of earlier years		(37.47)	(26.01)
Net current tax		**210.08**	**168.21**
Deferred tax		239.81	68.70
Total tax expense	39	**449.89**	**236.91**
Profit for the year		**921.62**	**1,038.68**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Deferred hedging gains on cash flow hedges		-	22.79
Income tax relating to these items		-	(1.07)
Deferred hedging gains on cash flow hedges (net of tax)		-	21.72

Standalone Statement of Profit and Loss
for the year ended March 31, 2021

(₹ in million)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Items that will not be reclassified to profit or loss			
Remeasurement gains/(losses) of defined benefit obligation		27.90	(26.44)
Income tax relating to these items		(9.75)	9.42
Remeasurement gains/(losses) of defined benefit obligation (net of tax)		18.15	(17.02)
Other comprehensive income for the year (net of tax)		**18.15**	**4.70**
Total comprehensive income for the year		**939.77**	**1,043.38**
Earnings per equity share [Nominal value per share: ₹1 (Previous year: ₹1)]	49		
Basic and Diluted		6.82	7.70

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

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole-time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Standalone Statement of Cash Flows

for the year ended March 31, 2021

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020 (Restated)	
A.	**Cash flow from operating activities**				
	Net profit before tax		**1,371.51**		**1,275.59**
	Adjustments for:				
	Depreciation and amortisation expense	1,543.62		1,437.64	
	Provision for doubtful debts/advances	0.94		(0.30)	
	Finance cost	561.10		450.75	
	Rent income from investment property	(20.96)		(33.64)	
	Unrealised exchange gain/loss on guarantee provision	-		11.51	
	Provisions/liabilities no longer required written back	(37.95)		(3.57)	
	(Profit)/loss on sale of Property, plant and equipment	(241.41)		17.24	
	Excess of insurance proceed over book value	(364.72)		-	
	Increase in surrender value of key man insurance	(22.04)		(9.00)	
	Dividend income	-		(348.91)	
	Interest income	(47.27)		(13.20)	
	Government grant	(190.39)	1,180.92	(140.98)	1,367.54
	Operating profits before working capital changes		**2,552.43**		**2,643.13**
	Adjustments for changes in working capital				
	Trade receivables	(1,093.33)		914.08	
	Trade payables	732.68		451.00	
	Inventories	(259.79)		(363.00)	
	Other financial assets	(12.00)		37.20	
	Other current and non-current asset	(344.59)		(266.80)	
	Provisions	(1.75)		96.98	
	Other financial liabilities	115.38		75.36	
	Other current and non-current liabilities	34.03	(829.37)	210.35	1,155.17
	Cash generated from operations		**1,723.06**		**3,798.30**
	Income tax paid (net of refund)		(127.36)		(247.24)
	Net cash flow generated from operating activities		**1,595.70**		**3,551.06**
B.	**Cash flow from investing activities**				
	Dividend received	-		348.91	
	Interest received	126.84		13.17	
	Government grant received	63.04		100.21	
	Proceeds from insurance claim	515.32		500.00	
	Proceeds from sale of property, plant and equipment	361.79		13.64	
	Rent received on investment property	20.96		33.64	
	Intercorporate loan repaid by overseas subsidiary	1,265.42		-	
	Intercorporate loan to overseas subsidiary	(1,265.42)		-	
	Purchase of property, plant and equipment	(1,648.36)		(2,529.15)	
	Fixed deposits (placed)/ redeemed (net)	(4.87)		(0.03)	
	Investment in subsidiary	(6,056.17)		(207.39)	
	Net cash used in investing activities		**(6,621.45)**		**(1,727.00)**

Standalone Statement of Cash Flows

for the year ended March 31, 2021

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020 (Restated)	
C.	**Cash flow from financing activities**				
	Proceeds from issue of equity shares (net of issue expenses)	6,851.92		-	
	Repayment of long-term borrowings	(1,005.73)		(1,627.25)	
	Proceeds from long-term borrowings	2,455.00		2,050.00	
	Proceeds/(repayment) of short-term borrowings	(1,418.11)		605.43	
	Payment of lease liability	(112.34)		(92.18)	
	Dividend paid on equity shares and preference shares (including dividend distribution tax thereon)	-		(1,065.95)	
	Interest paid	(535.28)		(432.45)	
	Net cash flow generated from/(used in) financing activities		**6,235.46**		**(562.40)**
	Increase in cash and cash equivalents		**1,209.71**		**1,261.66**
	Opening cash and cash equivalents		**1,256.58**		**(5.08)**
	Closing cash and cash equivalents		**2,466.29**		**1,256.58**
	Cash and cash equivalents consists of				
	Cash in hand (refer note 13)		0.02		0.56
	Current accounts (refer note 13)		2,467.04		1,107.02
	Deposit with maturity of less than 3 months (refer note 13)		-		150.00
	Bank overdraft (refer note 25)		(0.77)		(1.00)
			2,466.29		**1,256.58**

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 accompanying notes are an integral part of these financial statements

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole-time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Standalone Statement of changes in Equity
for the year ended March 31, 2021

A. Equity share capital

(₹ in million)

Particulars	Notes	Equity Shares March 31, 2021	Equity Shares March 31, 2020
Balance at the beginning of the year	17	**134.81**	**134.81**
Add: Issue of new shares (refer note 53)		17.97	-
Balance at the end of the year		**152.78**	**134.81**

B. Other equity for the year ended March 31, 2021

(₹ in million)

Particulars	Notes	Reserves and Surplus: Retained earnings	Reserves and Surplus: General reserve	Reserves and Surplus: Capital reserve	Reserves and Surplus: Securities premium	Reserves and Surplus: Debenture redemption reserve	Other Reserves: Cash flow hedge reserve	Total
Balance at April 01, 2019 (restated)		2,937.51	1,474.38	194.07	6,481.43	200.00	(6.65)	11,280.74
Profit for the year		1,038.68	-	-	-	-	-	1,038.68
Remeasurement of defined benefit obligation (net of tax)	19	(17.01)	-	-	-	-	-	(17.01)
Transfer to debenture redemption reserve	19	200.00	-	-	-	(200.00)	-	-
Gain/(loss) on changes in fair value of hedging instruments (net of tax)	19	-	-	-	-	-	1.99	1.99
Dividend for financial year 2018-19 paid [(₹4 per equity share) (dividend distribution tax ₹104.39 million)]	19	(643.64)						(643.64)
Interim Dividend for financial year 2019-20 paid [(₹3 per equity share) (dividend distribution tax ₹17.88 million)]	19	(422.31)	-	-	-	-	-	(422.31)
Balance at March 31, 2020		**3,093.23**	**1,474.38**	**194.07**	**6,481.43**	**-**	**(4.66)**	**11,238.45**

Standalone Statement of changes in Equity
for the year ended March 31, 2021

(₹ in million)

Particulars	Notes	Reserves and Surplus: Retained earnings	Reserves and Surplus: General reserve	Reserves and Surplus: Capital reserve	Reserves and Surplus: Securities premium	Reserves and Surplus: Debenture redemption reserve	Other Reserves: Cash flow hedge reserve	Total
Profit for the year		921.62	-	-	-	-	-	921.62
Remeasurement of defined benefit obligation (net of tax)	19	18.15	-	-	-	-	-	18.15
Gain/(loss) on changes in fair value of hedging instruments (net of tax)	19	-	-	-	-	-	4.66	4.66
Issue of new shares 17,974,870 on premium of ₹388 per equity shares (refer note 53)		-	-	-	6,974.25	-	-	6,974.25
Utilised for expenses in connection with issue of equity shares (refer note 53)		-	-	-	(140.30)	-	-	(140.30)
Balance at March 31, 2021		**4,033.00**	**1,474.38**	**194.07**	**13,315.38**	**-**	**-**	**19,016.83**

The accompanying notes are an integral part of these financial statements

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole-time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

1. Corporate information

Varroc Engineering Limited (the "Company") is engaged in the business of manufacturing of automobile components. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at L-M.I.D.C Area, Waluj, Aurangabad – 431 136.

The Company has 15 manufacturing plants, 2 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 centres across 4 continents and 14 countries spread across the globe.

The above financial statements were authorised for issue in accordance with a resolution of the Board of directors on June 04, 2021.

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.

All amounts included in these financial statements are reported in million of Indian rupees (₹ in million) except earnings 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) Use of estimates and assumptions

The preparation of the Financial Statements requires the management to make certain judgements, estimates and assumptions. 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.

(iii) 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.

(iv) 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 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.

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:

• Factory buildings	30 years
• Office buildings	60 years
• Plant and machinery	
• Plant and machinery, factory equipment & electrical installation and fittings	8-12 years
• Moulds	2-7 years
• Computers	3-6 years
• Vehicles	2-5 years
• Furniture and fixtures	5-10 years
• Tools and office equipment	2-5 years

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 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).

Capital work-in-progress is stated at cost, net of accumulated impairment loss, if any.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Intangible assets

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

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life of the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

(i) Computer software

Software is amortised over a period of 3 years.

(ii) Technical know how

Expenditure on acquiring technical know-how (including income tax and R & D Cess) is capitalised and amortised over a period of six years.

(iii) Non-compete fee

Non-compete fee paid is capitalised and amortised over a period of 5 years.

(iv) Intellectual Property Right

Intellectual property right pertains to amount paid to acquire right to use technology for engine components which has been capitalised and amortised over a period of 10 years.

(v) Research and development

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

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

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. During the period of development, the asset is tested for impairment annually.

B) Investments in subsidiaries/joint venture

The Company accounts for its investments in subsidiaries/joint venture at cost less accumulated impairment losses (if any) in its separate financial statements. Investments accounted for at cost are accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale

C) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee

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

(i) Right-of-Use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

- Land and building: 3 to 15 years
- Plant and machinery: 3 to 15 years
- Motor vehicles and other equipment: 3 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (D) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

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

Company as a Lessor

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

D) Impairment of non-financial assets

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

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

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

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

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

E) 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.

F) 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, Stores and spare-parts, Loose tools and Packing 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) 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.

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

G) 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.

H) Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Amounts disclosed as revenue are net of goods and service tax (GST).

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 120 days upon delivery.

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

Variable consideration

If the consideration in a contract includes a variable amount (like volume rebates/ incentives, cash discounts etc.), the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The estimate of variable consideration for expected future volume rebates/incentives, cash discounts etc. are made on the most likely amount method. Revenue is disclosed net of such amounts.

Significant financing component

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

Warranty obligations

The Company typically provides warranties for general repairs of defects as per terms of the contract with customers, These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section (L) Provisions.

Sale of services

Income from services is recognised on the basis of time/work completed as per contract with the customers. The Company collects 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.

Contract balances

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policy, refer note Q–Financial instruments – Financial assets at amortised cost.

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Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Company performs under the contract.

Refund liabilities
A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

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

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

I) Foreign currency translation
The Company's 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 recognised 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 recognised 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 recognised in OCI or profit or loss are also recognised 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 recognised 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.

Gratuity obligations
The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan 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 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 plan
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 an employee renders the related service. 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.

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(v) Termination benefit

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 recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised 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 recognised 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 recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

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

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

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

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

L) Provisions

General

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

Warranty provisions

Provisions for warranty-related costs are recognised 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

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

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

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- 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 authorisation 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) 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.

P) Segment reporting

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.

Q) Financial Instruments

Financial Assets

Initial Recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, 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 amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI).

Debt instruments at amortised cost

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

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

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

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in finance costs/income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the statement of 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 recognised in the other comprehensive income (OCI). However, the Company recognises interest income, impairment losses and reversals and foreign exchange gain or loss in the P&L. On de-recognition of the asset, cumulative gain or loss previously recognised 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 categorisation as at amortised cost or as FVTOCI is classified as FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised 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 recognised 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 recognised 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 recognised 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 recognised 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 derecognised (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.

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

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

Impairment of financial assets

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

(a) Financial assets that are debt instruments, and are measured at amortised cost e.g. loans, debt securities, deposits, trade receivables and bank balance

(b) Financial assets that are debt instruments and are measured at FVTOCI

(c) Lease receivables

(d) Trade receivables or any contractual right to receive cash or another financial asset

(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

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

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

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

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- 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 analysed.

ECL impairment loss allowance (or reversal) recognised during the period is recognised 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 amortised 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.

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

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

Subsequent measurement

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

- **Financial liabilities at fair value through profit 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 recognised 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,

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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 recognised 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 recognised 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 amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit 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 recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per the impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit 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 recognised 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 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

This note summarises 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 2A)**

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

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

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

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 recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised 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 recognised asset or liability or an unrecognised 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 recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised 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 recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised 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 recognised in finance costs.

Amounts recognised 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 recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

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

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 recognised gains, losses (including impairment gains or losses) or interest.

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

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

R 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 Company 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.

2.1 Changes in accounting policies and disclosures

New and amended standards

(i) Amendments to Ind AS 116: COVID-19 Related Rent Concessions.

(ii) Amendments to Ind AS 103 Business Combinations

(iii) Amendments to Ind AS 1 and Ind AS 8: Definition of Material

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(iv) Amendments to Ind AS 107 and Ind AS 109: Interest Rate Benchmark Reform

These amendments are applicable for annual periods beginning on or after the April 01, 2020. These amendments are not expected to have a significant impact on the Company's financial statements.

Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, following are significant judgements made by the management:

1. **De-recognition of trade receivables under factoring arrangements**

   The Company enters into non-recourse factoring arrangements for its trade receivables with various banks/financial institutions. The Company derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of de-recognition of trade receivables under the factoring arrangements is complex and requires judgement. As at March 31, 2021, the Company has de-recognised trade receivables amounting to ₹1,451.78 million (Previous year: ₹983.65 million).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

1. **Defined benefit plans**

   The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuation. 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.

   Further details about gratuity obligation are given in Note 42.

2. **Deferred taxes**

   At each reporting date, the Company assesses whether the realisation of future tax benefits is sufficiently probable to recognise/carry forward deferred tax assets (including MAT credits). This assessment requires the use of significant estimates/assumptions 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 change or if changes in current tax regulations are enacted. (Refer note 23 for details)

3. **Provision for warranty**

   Warranties are provided for a specified period of time. The estimated liability for warranties is recorded when the products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and our estimates regarding possible future incidence based on actions on product failures. Determination of warranty liability is based on the estimated frequency and amount of future claims, which are inherently uncertain. Actual claims incurred in the future may differ from the management's original estimates, which may materially affect warranty expenses.

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 3: Property, plant and equipment

Tangible Assets

(₹ in million)

Asset class	Gross carrying amount						Accumulated depreciation						Net carrying amount	
	As at April 01, 2020	Additions*	Reclassify from Investment Property	Reclassify to Right to use of assets	Disposals	As at March 31, 2021	As at April 01, 2020	Depreciation charge	Reclassify from Investment Property	Reclassify to Right to use of assets	Disposals	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Freehold land	180.50	-	-	-	111.70	68.80	-	-			-	-	68.80	180.50
Factory buildings *	2,199.59	62.56	-	-	-	2,262.15	390.24	107.53	-	-	-	497.77	1,764.38	1,809.35
Office buildings	792.42	1.71	-	-	-	794.13	56.34	16.14	-	-	-	72.48	721.65	736.08
Plant and machinery *	8,160.67	974.46	-	-	22.60	9,112.53	3,124.85	844.68	-	-	17.31	3,952.22	5,160.31	5,035.82
Factory equipments	930.53	63.21	-	-	8.92	984.82	344.95	98.27	-	-	6.30	436.92	547.90	585.58
Electrical installations	286.20	9.50	-	-	0.35	295.35	126.23	25.44	-	-	0.17	151.50	143.85	159.97
Computers	176.70	19.22	-	-	0.89	195.03	107.99	33.72	-	-	0.89	140.82	54.21	68.71
Mould and dies	460.77	31.46	-	-	0.16	492.07	293.07	59.96	-	-	0.16	352.87	139.20	167.70
Electrical fittings	79.81	1.92	-	-	-	81.73	27.10	8.17	-	-	-	35.27	46.46	52.71
Vehicles	59.48	3.18	-	-	0.76	61.90	28.92	10.64	-	-	0.76	38.80	23.10	30.56
Furniture and fixtures	199.09	14.94	-	-	-	214.03	91.90	24.80	-	-	-	116.70	97.33	107.19
Office equipments	116.83	2.70	-	-	0.12	119.41	59.64	16.53	-	-	0.12	76.05	43.36	57.19
Tools and instruments	229.56	40.46	-	-	3.29	266.73	149.78	36.81	-	-	2.70	183.89	82.84	79.78
Total	**13,872.15**	**1,225.32**	**-**	**-**	**148.79**	**14,948.68**	**4,801.01**	**1,282.69**	**-**	**-**	**28.41**	**6,055.29**	**8,893.39**	**9,071.14**

* Additions include finance cost capitalised amounting to ₹3.47 million (March 31, 2020: 13.67 million). Effective rate of interest for borrowing cost capitalisation was 8% (Previous year 8%).

Capital work-in-progress as at March 31, 2021	(₹ in million)
Opening capital work-in-progress	785.87
Addition during the year	1,684.77
Capitalised during the year	(1,225.32)
Closing capital work-in -progress	**1,245.32**

Closing CWIP primarily includes assets relating to plants under construction situated at Chakan Pune.

Note 3: Property, plant and equipment

(₹ in million)

Asset class	Gross carrying amount						Accumulated depreciation						Net carrying amount	
	As at April 01, 2019	Additions	Reclassify from Investment Property	Reclassify to Right to use of assets	Disposals*	As at March 31, 2020	As at April 01, 2019	Depreciation charge	Reclassify from Investment Property	Reclassify to Right to use of assets	Disposals	As at March 31, 2020	As at March31, 2020	As at March 31, 2019
Freehold land	179.81	0.69	-	-	-	180.50	-	-	-	-	-	-	180.50	179.81
Leasehold land	389.17	-	20.22	409.39	-	-	19.03	-	1.35	20.38	-	-	-	370.14
Factory buildings	1,785.22	369.94	137.82	-	93.39	2,199.59	286.11	92.58	28.17	-	16.62	390.24	1,809.35	1,499.11
Office buildings	758.20	34.22	-	-	-	792.42	42.65	13.69	-	-	-	56.34	736.08	715.55
Plant and machinery	7,769.38	1,230.16	-	-	838.87	8,160.67	2,625.82	837.49	-	-	338.46	3,124.85	5,035.82	5,143.56
Factory equipments	705.95	231.09	-	-	6.51	930.53	261.56	87.57	-	-	4.18	344.95	585.58	444.39
Electrical installations	245.64	40.78	-	-	0.22	286.20	101.33	25.12	-	-	0.22	126.23	159.97	144.31
Computers	156.23	34.22	-	-	13.75	176.70	82.03	34.41	-	-	8.45	107.99	68.71	74.20
Mould and dies	428.24	43.03	-	-	10.50	460.77	220.42	76.88	-	-	4.23	293.07	167.70	207.82
Electrical fittings	43.16	36.65	-	-	-	79.81	21.70	5.40	-	-	-	27.10	52.71	21.46
Vehicles	48.17	12.03	-	-	0.72	59.48	19.71	9.93	-	-	0.72	28.92	30.56	28.46
Furniture and fixtures	204.51	12.24	-	-	17.66	199.09	72.15	28.36	-	-	8.61	91.90	107.19	132.36
Office equipments	85.21	33.88	-	-	2.26	116.83	47.70	13.42	-	-	1.48	59.64	57.19	37.51
Tools and instruments	178.13	52.14	-	-	0.71	229.56	110.39	40.09	-	-	0.70	149.78	79.78	67.74
Total	**12,977.02**	**2,131.07**	**158.04**	**409.39**	**984.59**	**13,872.15**	**3,910.60**	**1,264.94**	**29.52**	**20.38**	**383.67**	**4,801.01**	**9,071.14**	**9,066.42**

*Includes assets destroyed by fire. Refer Note 52

Capital work-in-progress as at March 31, 2020 (Restated)	(₹ in million)
Opening capital work-in-progress	621.12
Addition during the year	2,299.12
Less: Destroyed by fire (refer Note 52)	(3.30)
Capitalised during the year	(2,131.07)
Closing capital work-in -progress	**785.87**

Closing CWIP primarily includes assets relating to plants under construction situated at Chennai and Pune.

(i) Contractual obligations
Refer note 48 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Office building includes premises on ownership basis in a Co-operative Society ₹6.3 million, including cost of shares therein of ₹125/- per share.

(iii) Refer note 20 for disclosures relating to charges/securities created against PP&E.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 4: Investment properties

(₹ in million)

Asset class	Gross carrying amount				Accumulated depreciation				Net carrying amount	
	As at April 01, 2020	Additions	Transferred/ deduction	As at March 31, 2021	As at April 01, 2020	Depreciation charge	Transferred/ deduction	As at March 31, 2021	As at March 31, 2021	As at March31, 2020
Leasehold land	13.08	-	-	13.08	0.65	0.16	-	0.81	12.27	12.43
Factory buildings	149.24	-	-	149.24	26.51	5.33	-	31.84	117.40	122.73
Total	**162.32**	**-**	**-**	**162.32**	**27.16**	**5.49**	**-**	**32.65**	**129.67**	**135.16**

(₹ in million)

Asset class	Gross carrying amount				Accumulated depreciation				Net carrying amount	
	As at April 01, 2019	Additions	Transferred to property, plant and equipment*	As at March 31, 2020	As at April 01, 2019	Depreciation charge	Transferred to property, plant and equipment*	As at March 31, 2020	As at March31, 2020	As at March31, 2019
Leasehold land	33.30	-	20.22	13.08	1.60	0.40	1.35	0.65	12.43	31.70
Factory buildings	287.06	-	137.82	149.24	43.71	10.97	28.17	26.51	122.73	243.35
Total	**320.36**	**-**	**158.04**	**162.32**	**45.31**	**11.37**	**29.52**	**27.16**	**135.16**	**275.05**

* During the Previous year, the lease period of the investment property has expired and the Company has decided to use the said property for carrying its own business. Accordingly, the net carrying value of such investment property comprising of ₹18.87 million of leasehold land and ₹109.65 million of Factory Building has been transferred to property, plant and equipment and is depreciated over its remaining useful life.

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

(₹ in million)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Rental income	20.96	33.64
Depreciation	5.49	11.37
Profit from investment properties	**15.47**	**22.27**

(ii) Leasing arrangements
Certain investment properties located at M139-140 MIDC Waluj Aurangabad are leased to tenants under long-term cancellable operating leases with rentals payable monthly. There is escalation of 5% in lease rentals during the lease terms.

(iii) Fair value
Fair value of the investment property as on March 31, 2021 ₹142.56 million.(March 31, 2020 ₹143.57 million).

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.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 5: Intangible assets

(₹ in million)

Asset Class	Gross carrying amount				Amortisation				Net Carrying amount	
	As at April 01, 2020	Additions	Disposals	As at March 31, 2021	As at April 01, 2020	Amortisation charge	Disposals	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Software	264.75	28.14	-	292.89	159.69	62.05	-	221.74	71.15	105.06
Technical knowhow	28.06	-	-	28.06	14.30	4.68	-	18.98	9.08	13.76
Non-compete fees	74.00	-	-	74.00	8.13	14.81	-	22.94	51.06	65.87
Intellectual property right	287.24	14.75	-	301.99	3.28	29.35	-	32.63	269.36	283.96
Capitalised development costs	86.32	122.80	-	209.12	23.77	50.65	-	74.42	134.70	62.55
Total	**740.37**	**165.69**	**-**	**906.06**	**209.17**	**161.54**	**-**	**370.71**	**535.35**	**531.20**

Intangible assets under development as at March 31, 2021	(₹ in million)
Opening balance	294.73
Addition during the year	197.45
Capitalised during the year	(165.69)
Closing balance	**326.49**

Intangible assets under development includes development costs.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 5: Intangible assets

(₹ in million)

Asset Class	Gross carrying amount				Amortisation				Net Carrying amount	
	As at April 01, 2019	Additions	Disposals	As at March 31, 2020	As at April 01, 2019	Amortisation charge	Disposals	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Software	193.60	78.87	7.72	264.75	115.54	51.21	7.06	159.69	105.06	78.06
Technical knowhow	28.06	-	-	28.06	9.63	4.67	-	14.30	13.76	18.43
Non-compete fees	-	74.00	-	74.00	-	8.13	-	8.13	65.87	-
Intellectual property right	-	287.24	-	287.24	-	3.28	-	3.28	283.96	-
Capitalised development cost	40.11	46.21	-	86.32	5.94	17.83	-	23.77	62.55	34.17
Total	**261.77**	**486.32**	**7.72**	**740.37**	**131.11**	**85.12**	**7.06**	**209.17**	**531.20**	**130.66**

Intangible assets under development as at March 31, 2020 (restated)	(₹ in million)
Opening balance	152.44
Addition during the year	628.61
Capitalised during the year	(486.32)
Closing balance	**294.73**

Intangible assets under development mainly include development costs.

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 5A: Right-of-Use assets

The Company has lease contract for premises/building used for its operations with lease terms of 2-5 years, and for lease hold land with lease term of 95-99 years The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets.

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (mainly Laptops) (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

(i) Amounts recognised in balance sheet

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
	Land and building	Land and building
Opening balance	617.39	583.87
Add: Additions during the period	14.97	105.90
Add: Transfer from property plant and equipment	-	18.87
Less: Deduction during the period (net)	(4.86)	-
Add: Stamp duty, Prepaid rent	(1.13)	10.35
Less: Depreciation for the year (refer note 35)	(93.90)	(76.20)
Less: Depreciation capitalised during the period	-	(25.40)
Closing balance	**532.47**	**617.39**

(b) Set out below are the carrying amounts of lease liabilities and the movements during the period

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
Opening balance	260.86	237.11
Add: Addition during the period	14.97	105.90
Add: Accretion of interest (refer note 36)	21.61	21.23
Add: Accretion of interest capitalised	-	7.88
Less: Deduction during the period	(5.64)	-
Less: Payments during the period	(112.34)	(111.26)
Closing balance	**179.46**	260.86
Current	**102.21**	94.26
Non-current	**77.25**	166.60
Total Lease liability as on March 31, 2021	**179.46**	260.86

Following is maturity profile of lease liability:

(₹ in million)

Particulars	Effective Interest Rate	Current	Non-current					Total non-current
			2022-23	2023-24	2024-25	2025-26	More than 5 years	
Leasehold premises	10%	102.21	39.37	31.85	4.48	1.55	-	77.25

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(ii) Amounts recognised in statement of profit and loss account

The statement of profit or loss shows the following amounts relating to leases

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Depreciation expense of right-of-use assets	93.90	76.20
Interest expense on lease liabilities	21.61	21.23
Amounts included in Rent expense		
Expense relating to leases of low-value assets	48.99	38.24
Total amount recognised in statement of profit and loss	**164.50**	**135.67**

The Company had total cash outflows for leases of ₹161.33 million for the year ended March 31, 2021. (Previous year March 31, 2020 ₹149.50 million). The Company does not have non-cash additions to right-of-use assets and lease liabilities for the year ended March 31, 2021.

Note 6 (a): Investments in subsidiaries and joint venture

(₹ in million)

Particulars	Face value per share	Number of Shares		As at March 31, 2021	As at March 31, 2020 (Restated)
		As at March 31, 2021	As at March 31, 2020 (Restated)		
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 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
Varroc Corp Holding B.V. (refer note below)	€ 100.00	473,187	370,712	3,609.41	3,609.41
Varroc Japan Co. Ltd.	¥10.00	10,000	10,000	0.10	0.10
Cariq Technologies Private Limited	₹1.00	242,108	242,108	192.40	192.40
Share application Money (refer note below)				6,056.17	-
Total (A)				**11,983.28**	**5,927.11**
Less: Provision for impairment in equity investment instruments in subsidiaries (B)				**(1,769.10)**	**(1,532.72)**
Total Non-current investment (A+B)				**10,214.18**	**4,394.39**

Note:

Merger of Aries Mentor Holdings B.V. ('AMHBV') with VarrocCorp Holdings B.V. ('VCHBV')

In the Previous year, the board of directors of AMHBV and VCHBV have approved the merger of AMHBV into VCHBV and accordingly; the management has completed the merger on March 03, 2020 under the laws of Netherlands. Under the scheme of merger, entire share capital of AMHBV stands cancelled and subsequently VCHBV issued new shares 102,475 on November 25, 2020 .

Share Application Money

During the year company has remitted amount of ₹6056.17 million to VarrocCorp Holdings B.V.("VCHBV") which has been considered as share application money pursuant to agreement dated March 31, 2021 between the Company and VCHBV. Against this share application money, VCHBV has subsequently issued 93,858 number of shares on April 26, 2021.

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 6 (b): Investment in joint venture-equity instruments at cost

(₹ in million)

Particulars	Face value per share	Number of Shares		As at March 31, 2021	As at March 31, 2020 (Restated)
		As at March 31, 2021	As at March 31, 2020		
Varroc Dell'Orto Private Limited	₹10.00	1,525,000	1,525,000	15.25	15.25
Total (C)				**15.25**	**15.25**
Total (A+B+C)				**10,229.43**	**4,409.64**

Note 7: Non-current investments

(₹ in million)

Particulars	Face value per share	Number of Shares		As at March 31, 2021	As at March 31, 2020 (Restated)
		As at March 31, 2021	As at March 31, 2020		
Investment in equity instruments at FVTPL (unquoted)					
The Saraswat Co-operative Bank Limited	₹10.00	8,500	8,500	0.09	0.09
Investment in government securities at amortised cost (unquoted)					
National saving certificates				0.06	0.06
Total				**0.15**	**0.15**

Note 8: Non-current-Loans

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Security deposits (considered good)	52.10	44.42
Total non current loans	**52.10**	**44.42**

Note 9: Non-current-Other financial assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Surrender value of keyman insurance receivable	129.27	107.23
Insurance claim receivable	29.00	18.63
Total non-current other financial assets	**158.27**	**125.86**

Note 9 (A): Income tax assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Income tax assets		
Balance of advance tax paid	656.51	710.99
Balance of tax provision	598.56	632.51
Income tax assets (net)	**57.95**	**78.48**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 9 (B): Income tax liability

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Income tax liability		
Balance of advance tax paid	180.94	40.64
Balance of tax provision	247.55	45.06
Income tax liability (net)	**66.61**	**4.42**

Note 10: Other non-current assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Capital advances	157.37	54.34
Provision for capital advances	(2.55)	(2.49)
	154.82	**51.85**
Amount paid under protest	52.13	2.79
Balance with government authority	-	35.82
Prepaid expenses	-	4.50
VAT recoverable	2.06	4.32
Unbilled receivables	-	5.00
Government grant receivable	341.38	204.96
Total other non-current assets	**550.39**	**309.24**

Note 11: Inventories

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Raw materials [Includes material in transit of ₹33.27 million (March 31, 2020 ₹17.32 million)]	1,118.62	1,081.05
Work-in-progress	372.80	230.20
Finished goods [Includes finished goods in transit of ₹333.75 million (March 31, 2020 ₹230.88 million)]	1,466.79	862.94
Stores and spare-parts [Includes stores-spares in transit of ₹0.42 million (March 31, 2020 ₹1.61 million)]	94.16	90.71
Loose tools [Includes loose tools in transit of ₹ Nil (March 31, 2020 ₹ Nil)	49.82	375.32
Packing material [Includes packing material in transit of ₹0.29 million (March 31, 2020 ₹0.79 million)]	18.79	15.94
Total inventories	**3,120.98**	**2,656.16**

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 12: Trade receivables

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Trade receivables	2,957.63	2,186.83
Receivable from related parties (refer note 47)	675.30	351.95
Total	**3,632.93**	**2,538.78**
Break-up of security details		
Unsecured, considered good*	3,628.24	2,532.89
Trade receivables-credit impaired	4.69	5.89
Total	**3,632.93**	**2,538.78**
Impairment allowance (Trade receivables-credit impaired)	(4.69)	(5.89)
Total	**3,628.24**	**2,532.89**
Non-current portion	**-**	**-**
Current portion	**3,628.24**	**2,532.89**

* There are no trade receivables which have significant increase in credit risk as at March 31, 2021 and March 31, 2020.

Credit period

Trade receivables are non-interest bearing and are generally on payment terms of 30 to 120 days.

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member, except as disclosed in note 47

Note 13: Cash and cash equivalents

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Cash in hand	0.02	0.56
Bank balances		
In current accounts	2,467.04	1,107.02
Deposit with original maturity of less than 3 months	-	150.00
Total cash and cash equivalents	**2,467.06**	**1,257.58**

Note 14: Other bank balances

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Deposits with original maturity more than 3 months but less than 12 months	6.85	1.98
Total other bank balances	**6.85**	**1.98**

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 15: Current-Loans

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Unsecured, considered doubtful (refer note 47)		
Interest receivable from related parties	-	79.98
Less: Provision for doubtful interest receivable	-	(79.98)
	-	-
Unsecured, considered good		
Loan to subsidiary (refer note 47)	20.00	20.00
Interest on loan to subsidiary (refer note 47)	8.35	0.82
Security deposits	35.34	33.74
Loans to employees	1.80	0.86
Total current loans	**65.49**	**55.42**

Loan to subsidiary is non-derivative financial asset and carries interest at 10% p.a. The loan is repayable on demand and has been utilised by the subsidiary for meeting its working capital requirements.

Note 16: Other financial assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Derivative instruments at fair value through OCI		
Foreign exchange cross currency interest swaps	-	20.03
Derivative instruments at fair value through profit and loss		
Foreign exchange forward contracts	8.51	-
Non-derivative financial asset at amortised cost		
Earmarked balances with banks		
Balance with bank for unpaid dividend	0.04	0.04
Accrued interest	0.58	0.17
Others	0.01	4.61
Total other current financial assets	**9.14**	**24.85**

Note 17: Other current assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Advance to suppliers	308.62	260.12
Prepaid expenses	154.75	117.33
Balance with government authorities	282.74	189.34
Government grant receivable	221.73	157.82
Export and other incentives	114.90	132.54
Contract assets	131.67	13.33
Insurance claim receivable (refer note 52)	-	815.46
Others	47.67	25.15
Total other current assets	**1,262.08**	**1,711.09**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 18: Share capital

(₹ in million)

Particulars	Number of Shares As at March 31, 2021	Number of Shares As at March 31, 2020	As at March 31, 2021	As at March 31, 2020 (Restated)
Authorised:				
Equity shares of ₹1 each (Previous year ₹1 each)	250,000,000	250,000,000	250.00	250.00
Add: Increase in authorised share capital on merger of Varroc Lighting System (India) Pvt. Ltd. of ₹10 each	450,000	-	4.50	-
Preference shares of ₹1 each (Previous year ₹1 each)	250,000,000	250,000,000	250.00	250.00
			504.50	**500.00**
Issued, subscribed and paid-up:				
Equity shares of ₹1 each (Previous year ₹1 each) fully paid-up	**152,786,400**	**134,811,530**	**152.79**	**134.81**
			152.79	**134.81**

Note 18 (a): Movement in share capital

Particulars	Nos. As at March 31, 2021	(₹ in million) As at March 31, 2021	Nos. As at March 31, 2020	(₹ in million) As at March 31, 2020
Equity shares				
Outstanding at the beginning of the year	134,811,530	134.81	134,811,530	134.81
Add: Issue of new shares (refer note 53)	17,974,870	7.97	-	-
Outstanding at the end of the year	**152,786,400**	**152.78**	**134,811,530**	**134.81**

Note 18 (b): Rights, preferences and restrictions attached to equity shares

Equity shares: The Company has equity shares having a par value of ₹1 per share (Previous year ₹1 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.

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 18 (c): 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, 2021 Numbers of shares Face value ₹1	As at March 31, 2021 % of shareholding	As at March 31, 2020 Numbers of shares Face value ₹1	As at March 31, 2020 % of shareholding
Equity shares				
Mr. Tarang Jain	60,729,800	39.75%	60,729,800	45.05%
TJ Holdings Trust	33,850,000	22.16%	33,850,000	25.11%
Naresh Chandra Holdings Trust	10,000,000	6.55%	10,000,000	7.42%
Suman Jain Holdings Trust	10,000,000	6.55%	10,000,000	7.42%
Nippon Life India Trustee Ltd.*	8,820,316	5.77%	-	-

* Based on legal ownership of the shares and there are multiple beneficial holders for this holdings which are individually less than 5 %.

Note 18 (d): Aggregate number of bonus shares issued during the five years immediately preceding March 31, 2021

	No. of Shares
0.0001% Series B CCPS and Series C CCPS allotted as fully paid-up bonus shares out of 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 above.
iii. Has not bought back any shares.

Note 19: Other equity

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Reserves and surplus		
Retained earnings		
Balance at the beginning of the year	3,093.23	2,957.34
Add: Profit for the year	921.62	1,038.68
Add: items of other comprehensive income recognised directly in retained earning		
Remeasurement of post-employment benefit obligation (net of tax)	18.15	(17.01)
Less: Interim dividend for financial year 2020-21 of ₹Nil per equity share of face value of ₹1 each (Previous year: ₹3 per equity share of ₹1 each) [(including dividend distribution tax ₹17.88 million)]	-	(422.31)
Less: Effect of change in accounting policy (refer note 2.1)	-	(19.83)
Less: Dividend for financial year 2019-20 of ₹Nil per equity share of face value of ₹1 each (Previous year ₹4 per equity share of face value of ₹1 each) [including dividend distribution tax of ₹Nil] (Previous year ₹104.39 million)]	-	(643.64)
Add: Transfer from debenture redemption reserve on re-payment of Non-convertible debenture	-	200.00
Balance at the end of the year	**4,033.00**	**3,093.23**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
General reserve		
Balance at the beginning of the year	1,474.38	1,474.38
Balance at the end of the year	**1,474.38**	**1,474.38**
Capital reserve		
Balance at the beginning of the year	194.07	194.07
Balance at the end of the year	**194.07**	**194.07**
Debenture redemption reserve		
Balance at the beginning of the year	-	200.00
Less: Transfer to retained earnings on re-payment debentures	-	200.00
Balance at the end of the year	**-**	**-**
Securities premium		
Balance at the beginning of the year	6,481.43	6,481.43
Add: Issue of new shares 17,974,870 on premium of ₹388 (refer note 53)	6,974.25	-
Less: Share issue expenses (refer note 53)	(140.30)	-
Balance at the end of the year	**13,315.38**	**6,481.43**
Total reserves and surplus	**19,016.83**	**11,243.11**
Other reserves		
Cash flow hedge reserve		
Balance at the beginning of the year	(4.66)	(6.65)
Gain/(loss) on changes in fair value of hedging instruments	-	22.79
Income tax relating to gains/loss reclassified to profit and loss	-	(1.07)
Reclassification to statement of profit and loss	4.66	(19.73)
Balance at the end of the year	**-**	**(4.66)**
Total other equity	**19,016.83**	**11,238.45**

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.

Capital reserve

Capital reserve is not available for distribution as dividend.

Securities premium

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

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 20: Non-current-Borrowings

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Secured		
Term loans		
Rupee loans from banks	2,448.94	2,742.90
Foreign currency loans from banks	-	14.27
Rupee loans from financial Institutions	1,317.69	-
Unsecured		
Deferred sales tax loan	6.20	22.32
Total non-current borrowing	**3,772.83**	**2,779.49**

Maturity profile of non-current borrowings

Particulars	Effective Interest Rate	Current (refer note 27)	Non-current					
			2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
Term Loans	6.00 % to 10.05%	1,286.03	1,379.04	1,184.79	738.76	382.89	81.15	3,766.63
Deferred Sales Tax Loan		16.12	6.20	-	-	-	-	6.20
		1,302.15	**1,385.24**	**1,184.79**	**738.76**	**382.89**	**81.15**	**3,772.83**

1. Rupee Term Loans from Banks are secured by:

(a) Rupee Term Loan of ₹305.5 million (Original amount ₹500 million) 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 - 431 136.

(b) Rupee Term Loan (I) of ₹1,000 million from HSBC Bank is secured by way of first *pari passu* charge on identified movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Distt. Pune, Plot No. L-6/2, MIDC, Waluj, Aurangabad and Plot No. L-4, MIDC, Waluj, Aurangabad.

(c) Rupee Term Loan (II) of ₹1,000 million from HSBC Bank is secured by way of exclusive/first *pari passu* charge on movable fixed assets both present and future located at its plant(s) I, II, IV, VEL-Corp, R&D at Chinchawad, Pune, Pantnagar, Halol, Chennai, and AMD at Shendra, Aurangabad.

(d) Rupee Term Loan of ₹522 million from Federal Bank is secured by way of exclusive charge on movable fixed assets both present & future of its plant situated at Survey No. 44/2, 43, 42/5, 45/1(P), 481(1)(P) Pondur A Village, Sriperumbadur Tal. & Dist. Kancheepuram - 602 105, (Tamil Nadu State).

(e) Rupee Term Loan of ₹700 million from Kotak Mahindra Bank Ltd.. is secured by way of first *pari passu* charge on movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Distt. Pune, and unit VII (Valves & Forging) located at Plot No. L-4, MIDC, Waluj, Aurangabad.

(f) Rupee Working Capital Term Loan (WCTL) by way of Guaranteed Emergency Credit Line (GECL) under ECLGS scheme of National Credit Guarantee Trustee Company Ltd. (NCGTC). of ₹195.50 million from Kotak Mahindra Bank Ltd. is secured by way of Second *pari passu* charge on current assets of the Company along with other banks. Second Pari-passu charge on movable fixed assets of the Company situated at Plot No. L-6/2 & L-4, MIDC, Waluj, Aurangabad – 431136 (M.S.) and Plot No. B-24/25, MIDC, Chakan, Pune – 410 501 (M.S.).

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(g) Rupee Working Capital Term Loan of ₹400 million by way of Guaranteed Emergency Credit Line (GECL) under ECLGS scheme of National Credit Guarantee Trustee Company Ltd. (NCGTC) from HSBC Bank Ltd. secured by way of Second pari-passu charge on identified movable fixed assets of the Company situated at Plot No. L-6/2 & L-4, MIDC, Waluj, Aurangabad – 431136 (M.S.) and Plot No. B-24/25, MIDC, Chakan, Pune – 410 501 (M.S.) and Second exclusive charge on identified movable fixed assets of various plants of the Company.

2. Rupee Term Loans from Financial Institution are secured by:

(a) Rupee Term loan of ₹1,000 million availed from Bajaj Finance Limited is secured by way of mortgage on specific immovable properties on exclusive charge basis located at Plot Nos. E-4, K-101/102, M-140/141, L-6/2, L-4, and M-191/3 MIDC, Waluj, Aurangabad - 431 136, Maharashtra State.

(b) Rupee Term loan of ₹650 million availed from Bajaj Finance Limited is secured by way of mortgage on specific immovable properties on exclusive charge basis located at Plot No. B-24/25, MIDC, Chakan, Pune-410501, Maharashtra State and extension of charge on specific immovable properties located at E-4, K-101/102, M-140/141, L-6/2,L-4, and M-191/3 MIDC, Waluj, Aurangabad - 431 136, Maharashtra State.

(c) The flexi term loan facility of ₹209.50 million availed from Bajaj Finance Limited is fundible between Varroc Polymers Pvt. Ltd.. and Varroc Engineering Ltd.. The said facility is secured by way of exclusive charge by way of hypothecation of movable fixed assets (both present & future) of the Varroc Polymers Pvt. Ltd.. situated at Plot No. C-3, Phase-2, MIDC Area, Chakan, Khed, Pune - 410 505.

3. Bank loans contain certain debt covenants relating to limitation on indebtedness, debt-equity ratio, net borrowings to EBITDA ratio and debt service coverage ratio. Some of the debt covenants in respect of non-current borrowings of ₹1,459.84 million were not complied as at March 31, 2021 for which the Company has received waiver letters subsequent to year-end from lenders agreeing not to demand repayment as a consequence of such breaches. Accordingly, the Company has not classified such loans as current.

Note 21: Non-current-Other financial liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Security deposits	-	1.68
Total other financial liabilities	**-**	**1.68**

Note 22: Non-current-Provisions

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Provision for employee benefits		
Gratuity (Refer note 42)	-	31.16
Compensated absences	97.95	79.66
Provision for warranties (Refer note 28)	11.52	16.57
Provision for coupon scheme (Refer note 28)	26.05	40.54
Total non-current provisions	**135.52**	**167.93**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 23: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Deferred tax liabilities		
Depreciation and amortisation	849.52	754.87
Others	287.63	230.61
	1,137.15	**985.48**
Deferred tax assets		
Expenses allowable on payment basis	62.32	80.28
Provision for doubtful debts and advances	2.53	1.87
Others	208.83	178.76
MAT credit entitlement	254.00	365.55
	527.68	**626.46**
Total	**609.47**	**359.02**

Movement in deferred tax assets/ (liabilities)

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Opening deferred tax (assets)/liabilities	359.02	337.85
Effect of change in accounting policy	-	(8.69)
Charged to profit or loss	239.81	68.70
Charged to other comprehensive income		
Charged to other comprehensive income	9.75	(8.35)
Short/excess provision related to MAT credit for earlier year	0.89	(30.49)
Closing deferred tax liability after set off	**609.47**	**359.02**

Note:

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

MAT credit is available for utilisation till March 2031. During the year, MAT credit utilised was ₹110.66 million (availed in Previous year ₹37.51 million).

Note 24: Other non-current liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Advance received from customer	76.21	-
Deferred government grant*	333.95	156.47
Total other non-current liabilities	**410.16**	**156.47**

* for movement refer note 29

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 25: Current borrowings

(₹ in million)

Particulars	Maturity Date	Terms of Repayment	Interest rate	As at March 31, 2021	As at March 31, 2020 (Restated)
Secured					
Cash credit	On Demand	On Demand	8 % to 10%	0.77	1.00
Unsecured					
Working capital facilities					
Factored receivables/Bill discounting	Various	30 days	8.00%	-	1.54
From banks (Pre-shipment credit (PCRE))	Various	6 Month	8.50%	-	400.00
From banks (Working capital demand loan)	Various	6 Month	8.75%	3.43	250.00
From financial institutions (PO financing)	Various	41 to 42 days	8.75%	-	770.00
Total current borrowings				**4.20**	**1,422.54**

Cash credit facilities availed from Standard Chartered Bank, HDFC Bank Limited, CITI Bank N.A, ICICI Bank Limited, IDBI Bank Limited, Kotak Mahindra Bank Limited and IDFC First Bank Ltd.. 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.

Net debt reconciliation

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Cash and cash equivalents including cash credit (refer note 13 and 25)	2,466.29	1,256.58
Current borrowings (refer note 25)	(3.43)	(1,421.54)
Non-current borrowings includes current maturities of non-current borrowings (refer note 20 and 27)	(5,074.99)	(3,627.99)
Interest accrued but not due (refer note 27)	(29.95)	(25.74)
Net debt	**(2,642.08)**	**(3,818.69)**

Reconciliation of net debt as at March 31, 2021

(₹ in million)

Particulars	As at April 01, 2020	Cashflows	Interest expenses/ Processing fees	Interest paid	Cash flow hedge reserve	Forex revaluation	As at March 31, 2021
Cash and cash equivalent	1,256.58	1,209.71	-	-	-	-	2,466.29
Current borrowings	(1,421.54)	1,418.11	-	-	-	-	(3.43)
Non-current borrowings	(3,627.99)	(1,449.27)	2.27	-	-	-	(5,074.99)
Interest accrued but not due	(25.74)	-	(539.49)	535.28	-	-	(29.95)

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Reconciliation of net debt as at March 31, 2020 (Restated)

(₹ in million)

Particulars	As at April 01, 2019	Cashflows	Interest expenses/ Processing fees	Interest paid	Cash flow hedge reserve	Forex revaluation	As at March 31, 2020
Cash and cash equivalent	(5.08)	1,261.66	-	-	-	-	1,256.58
Current borrowings	(792.33)	(629.21)	-	-	-	-	(1,421.54)
Non-current borrowings	(3,189.95)	(423.22)	4.91	-	(19.73)	-	(3,627.99)
Interest accrued but not due	(28.69)	-	(450.75)	453.70	-	-	(25.74)

Note 26: Trade payables

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Total outstanding dues of micro enterprises and small enterprises (refer note 41)	1,268.04	682.67
Total outstanding dues other than micro enterprises and small enterprises and related parties	3,559.28	3,379.43
Trade payables to related parties (refer note 47)	357.75	754.45
Total trade payables	**5,185.07**	**4,816.55**

Note 27: Current-Other financial liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Financial liabilities at amortised costs		
Current maturities of non-current borrowings (refer note 20)	1,302.16	848.50
Interest accrued but not due on borrowings	29.95	25.74
Payable for purchase of capital goods	699.70	455.31
Customer security deposits	70.24	67.14
Employee benefits payable	338.94	216.08
Advance against insurance claim (refer note 52)	-	500.00
Financial liabilities at fair value through PL		
Foreign exchange forward contracts	-	8.90
Total other financial liabilities	**2,440.99**	**2,121.67**

Note 28: Current-Provisions

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Provision for employee benefits		
Gratuity (refer note 42)	6.53	37.79
Compensated absences	25.91	13.56
Others		
Provision for loan taken by subsidiary*	-	156.39
Provision for warranties**	52.12	42.50
Provision for coupon scheme***	39.08	27.03
Total current provision	**123.64**	**277.27**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	Warranties		Provision for loan taken by subsidiary		Provision for coupon scheme	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Balance as at the beginning of the year	59.07	54.80	156.39	144.88	67.57	33.83
Additions during the year	25.85	39.17	-	11.51	6.36	47.94
Utilisation/Reversed during the year	(21.28)	(34.90)	(156.39)	-	(8.80)	(14.20)
Balance as at the end of the year	**63.64**	**59.07**	**-**	**156.39**	**65.13**	**67.57**
Current Portion	52.12	42.50	-	156.39	39.08	27.03
Non-Current Portion	11.52	16.57	-	-	26.05	40.54
Total	**63.64**	**59.07**	**-**	**156.39**	**65.13**	**67.57**

* Provision for loan taken by subsidiary-One of the foreign subsidiary had taken loan from bank for which the Company had given a guarantee, the Company had created provision against the same in earlier years. Subsequent to the year end the subsidiary has repaid the loan, by raising fund from the fellow foreign subsidiary, accordingly management has reversed this provision.

** 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. The impact of discounting is not material.

*** Provision for coupon scheme-Provision is made for supplies to other than OEMs on estimated cost of coupons redemption. These coupons are expected to be redeemed with in 2-3 years. Management estimates the provision based on historical claims information and any recent trends. The impact on discounting of the provision is not material.

Note 29: Other current liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Advance received from customers	466.02	471.50
Statutory dues payable (includes GST, TDS, PF payables)	107.42	120.45
Unclaimed dividends	0.04	0.04
Other payables	77.55	101.22
Deferred government grant *	77.87	64.64
Total other current liabilities	**728.90**	**757.85**

*** Deferred government grant**

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.

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Balance as at the beginning of the year	221.11	207.19
Recognised during the year	381.10	154.90
Released to statement of profit and loss (refer note 31)	190.39	140.98
Balance as at the end of the year	**411.82**	**221.11**
Current portion	**77.87**	**64.64**
Non-current portion	**333.95**	**156.47**
Total	**411.82**	**221.11**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 30: Revenue from operations

For the year ended March 31, 2021 (refer note 2(H))

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
Revenue from contracts with customers	25,131.72	24,391.31
Other operating revenue	486.06	590.19
Total	**25,617.78**	**24,981.50**

Revenue from contracts with customers

A. Disaggregated revenue information

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Goods transferred at a point in time		
Finished goods		
Electrical & Lighting Auto Parts	13,412.49	13,259.43
Steel Forged Products	4,144.10	4,471.17
Polymer Auto Parts	2,088.30	2,110.37
Engine Valves	812.88	1,079.30
After Market Auto Parts	3,498.47	2,888.35
Toolings	738.72	242.08
Job work	10.78	18.98
Goods/services transferred over period of time		
Sale of Engineering Services to group companies	425.98	321.63
Total revenue from contracts with customers	**25,131.72**	**24,391.31**
Revenue by region		
India	22,819.71	22,196.14
Asia pacific	327.35	312.22
Europe	1,351.02	1,342.90
North America	480.45	271.55
Others	153.19	268.50
Total revenue from contracts with customers	**25,131.72**	**24,391.31**

B. Contract balances

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
Trade receivables	3,628.24	2,532.88
Contract liabilities	466.02	471.50

Trade receivables are non-interest bearing and are generally on payment terms of 30 to 120 days.
Contract liabilities include advances received from customers for delivery of goods and development of tools

Set out below is the amount of revenue recognised from:

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
Amounts included in contract liabilities at the beginning of the year	471.50	427.34

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

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

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
Revenue as per contracted price	25,321.30	24,525.39
Adjustments		
Discount	(189.58)	(134.08)
Revenue from contracts with customers	**25,131.72**	**24,391.31**

D. Performance obligation

Revenue from contracts with customers include revenue from finished goods, tooling, engineering services and Job work.

Finished goods/tooling/engineering services

For the sale of finished goods the performance obligation is generally satisfied upon its delivery or as per the terms of the customer contract and payment is generally due within 30 to 120 days from delivery.

For sale of toolings, the performance obligation is considered satisfied on billing after approval of the part(s) by the customer. The Company generally receives advance for toolings contracts ranging from 30 % to 50% of the contracted price. The revenue from the sale of finished goods/toolings is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Product development/engineering services are considered as related to sale of parts rather than a separate performance obligation. As a result, revenue from engineering services is recognised over the period of production from the date of start of production. Costs incurred in respect of providing engineering services are recognised as intangible assets and amortised over the period of production from the date of start of production. Payments received from customers in respect of product development/engineering services are presented as contract liabilities.

For supply of engineering services to group companies, performance obligation is generally satisfied on the basis of time/work completed as per the contract with the group companies and payment is generally due within 30-60 days.

The Company provides normal warranty provisions on some of its products sold, in line with the industry practice. The Company considers that the contractual promise made to the customer in the form of warranties for the parts supplied does not meet the definition of separate performance obligation as it does not give rise to additional service.

Job work revenue is recognised when the work is completed and billed to customer.

Other operating revenue

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Scrap sales	104.70	126.07
Wind and solar power generation	93.13	108.52
Export Incentives	87.99	93.59
Management fees	87.24	149.55
Admin Revenue	25.44	-
Others	87.56	112.46
Total other operating revenue	**486.06**	**590.19**

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 31: Other income

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Rent income from investment properties (refer note 4)	20.96	33.64
Dividend Income from equity investments carried at cost	-	348.91
Interest income from		
Financial assets measured at amortised cost	2.64	8.41
On loan to subsidiaries (refer note 47)	33.58	0.91
Others	5.37	2.01
Unwinding of discount on security deposit	5.68	1.87
Net gain on disposal of property, plant and equipment (also refer note 52)	241.41	-
Excess of insurance proceed over book value (refer note 52)	364.72	-
Government grants	190.39	140.98
Net foreign exchange gain	42.03	17.59
Commission on corporate guarantees	128.21	107.36
Liabilities no longer required written back	37.95	2.39
Reversal of provision for doubtful loans, advances and debts (Net)	-	0.30
Increase in surrender value of key man insurance	22.04	9.00
Miscellaneous income	19.17	62.08
Total other income	**1,114.15**	**735.45**

Note 32: Cost of materials consumed

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Raw material at the beginning of the year	1,081.05	910.09
Add: Purchases	17,499.76	15,632.23
	18,580.81	**16,542.32**
Less: Raw material at the end of the year	1,118.62	1,081.05
Total cost of materials consumed	**17,462.19**	**15,461.27**

Note 33: Changes in Inventories of work-in-progress and finished goods

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Opening balance		
Work-in-progress	230.20	287.33
Finished goods	862.94	1,013.63
Total opening balance	**1,093.14**	**1,300.96**
Closing balance		
Work-in-progress	372.80	230.20
Finished goods	1,466.79	862.94
Total closing balance	**1,839.59**	**1,093.14**
Total changes in inventories of work-in-progress and finished goods	**(746.45)**	**207.82**

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 34: Employee benefits expense

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Salaries, wages and bonus	2,404.02	2,475.23
Contribution to gratuity and other funds (refer note 42)	167.38	179.02
Staff welfare expenses	115.47	121.46
Total employee benefits expense	**2,686.87**	**2,775.71**

Note 35: Depreciation and amortisation expense

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Depreciation of property, plant and equipment (refer note 3)	1,282.69	1,264.95
Depreciation of investment property (refer note 4)	5.49	11.37
Amortisation of intangible assets (refer note 5)	161.54	85.12
Amortisation of Right-of-Use assets (refer note 5A)	93.90	76.20
Total depreciation and amortisation	**1,543.62**	**1,437.64**

Note 36: Finance costs

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Interest on debts and borrowings	526.40	417.38
Interest and finance charges paid/payable for lease liabilities (refer note 5A)	21.61	21.23
Other borrowing cost	13.09	12.14
Total finance cost	**561.10**	**450.75**

Note 37: Other expenses

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Consumption of stores and spares and loose tools	404.98	428.50
Consumption of packing materials	255.55	222.73
Repairs to		
Buildings	5.57	19.01
Machinery	98.81	135.71
Others	163.13	181.02
Communication expenses	38.05	38.32
Water and electricity charges	660.40	720.04
Rent charge	48.99	38.24
Rates and taxes	11.32	15.91
Contract labour cost	928.50	935.51
Legal and professional fees	222.69	251.43

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Exchange loss (net)	-	13.12
Net loss on sale of tangible/ intangible assets	-	17.24
Travelling and conveyance	128.10	176.74
Insurance	60.43	30.10
Payment to auditors-refer note (a) below	10.45	10.96
Corporate social responsibility expenditure-refer note (b) below	27.81	26.67
Provision for doubtful loans, advances and debts (net)	0.94	-
Sales promotion, marketing and advertisement cost	85.01	106.84
Freight and forwarding expenses	314.61	301.80
Royalty	40.05	26.55
Warranties	25.85	39.17
Miscellaneous expenses	321.85	372.56
Total other expenses	**3,853.09**	**4,108.17**
(a) Payment to auditors		
Statutory audit fees (including limited reviews)	9.10	9.10
Tax audit fees	0.40	0.40
Others (including certification fees)	0.95	1.10
Re-imbursement of expenses	-	0.36
Total payment to auditors*	**10.45**	**10.96**

*In addition to the above, fees for the work in connection with the Qualified Institutions Placement (QIP) of ₹19.50 million paid/ payable to the auditors have been included in the Share issue expenses (refer note 19)

(b) Corporate social responsibility expenditure

As set out in Section 135 of the Companies Act, 2013, the Company is required to contribute ₹25.52 million (Previous year ₹22.92 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 company has contributed ₹27.81 million (March 31, 2020 ₹26.67 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.

This includes amount of ₹ Nil (March 31 2020: ₹ Nil) contributed ro Varroc Foundation in which some of the directors are trustee.

Note 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.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 39: Income tax expense

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
(i) Profit and loss section		
Current tax		
Current tax on profits for the year	247.55	194.22
Adjustments for current tax of prior periods	(37.47)	(26.01)
Total current tax expense	**210.08**	**168.21**
Deferred tax	239.81	68.70
Total income tax expenses recognised in statement of profit and loss	**449.89**	**236.91**
(ii) Other comprehensive income (OCI) section		
(a) Deferred losses on cash flow hedges		
Income tax charged to OCI	-	(1.07)
(b) Remeasurement of defined benefit obligation		
Income tax charged to OCI	(9.75)	9.42
Total deferred tax charged to OCI	**(9.75)**	**8.35**
Reconciliation of tax expense and the accounting profit:		
Profit before tax	1,371.51	1,275.59
Tax rate	34.94%	34.94%
Income tax expense as per applicable tax rate	**479.26**	**445.74**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Weighted deduction on research and development expenditure	-	(104.91)
Corporate social responsibility expenditure	9.72	8.27
Disallowance u/s 14A of Income Tax Act, 1961	-	2.88
Exempt non-operating Income	-	(121.92)
Other non-deductible expenses	3.63	3.54
Tax expense of prior periods	(37.47)	-
MAT Adjustments of prior periods	0.90	-
Non-deductible depreciation	26.56	10.77
Difference in tax rates for income subject to long-term capital gains	(31.21)	(4.63)
Others	(1.50)	(2.83)
	(29.37)	**(208.83)**
Total tax expense	**449.89**	**236.91**

Note 40: Merger of Varroc Lighting Systems (India) Private Limited ('VLSIPL') (being wholly-owned subsidiary) with Varroc Engineering Limited ('the Company')

Pursuant to provisions of Section 230-232 of the Companies Act, 2013, the Board of Directors of the Company on November 12, 2019 had approved the scheme of amalgamation of Varroc Lighting Systems (India) Private Limited ('VLSIPL') (wholly-owned subsidiary of the Company) with Varroc Engineering Limited with appointed date of April 01, 2020 ('the Scheme'). National Company Law Tribunal ('NCLT') approved the above scheme vide its order dated November 02, 2020 and the merger became effective on December 07, 2020 on filing of the NCLT order with the Registrar of Companies. VLSIPL is engaged in manufacture of four wheel automotive lighting and has manufacturing facility in Pune.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

As per the requirements under the Scheme of Amalgamation, the Company has accounted for the amalgamation as per the principles laid down in Appendix C of Ind AS 103 i.e. Business combination of entities under common control. The Company recorded the assets, liabilities and reserves of VLSIPL vested in it pursuant to the Scheme at their carrying amounts. The inter-company balances between the Company and VLSIPL as also the investment of the Company in VLSIPL and the share capital of VLSIPL stood cancelled. Further, Previous year figures presented in these financial statements have been restated to include the effect of this merger.

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:

(₹ in million)

Sr. No.	Particulars	March 31, 2021	March 31, 2020 (Restated)
a)	Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	1,268.04	682.67
b)	Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	0.64	2.40
c)	Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	2,088.20	3,930.97
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	9.47	17.93
g)	Further interest remaining due and payable for earlier years	35.05	14.71

The Company has a process of sending out confirmations to all vendors, regarding their status as MSME. Based on responses received, the Company marks vendors as MSME and others.

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:

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
(I) Contribution to Employees' provident fund	75.82	63.32
(II) Contribution to Employees' family pension fund	42.90	50.43
Total	**118.72**	**113.75**

B. Defined benefit plan (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

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for the year ended March 31, 2021

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:

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
(a) Change in present value of benefit obligations		
Liability at the beginning of the year	301.16	234.60
Service cost	43.67	39.74
Interest expense	19.92	17.19
Transfer of obligation	0.29	(0.34)
Remeasurements-Actuarial (gains)/ losses (refer note (e) below)	(28.81)	26.29
Benefits paid	(16.91)	(16.32)
Liability at the end of the year	**319.32**	**301.16**

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
(b) Change in fair value of plan assets		
Fair value of plan assets at the beginning of the year	232.22	203.14
Interest income	17.69	16.02
Remeasurements-Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	(0.91)	(0.15)
Contributions	80.70	29.53
Benefits paid	(16.91)	(16.32)
Fair value of plan assets at the end of the year	**312.79**	**232.22**

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
(c) The net liability disclosed above relates to funded plan is as follows:		
Present value of defined benefit obligations	319.32	301.16
Fair value of plan assets	312.79	232.22
(Surplus)/Deficit	**6.53**	**68.94**

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
(d) Expenses to be recognised in the Statement of Profit and Loss under employee benefit expenses		
Service cost	43.67	39.74
Net interest (income)/expense	1.89	1.17
Transfer In/(Out)	0.29	(0.34)
Net gratuity cost	**45.85**	**40.57**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
(e) Expenses to be recognised in statement of other comprehensive income:		
Remeasurement		
Experience (gain)/losses on plan liabilities	(19.19)	2.74
(Return)/loss on plan assets excluding amounts recognised in interest (income)/expenses	0.91	0.15
(Gain)/loss from change in financial assumptions	(9.62)	23.55
	(27.90)	**26.44**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
(f) Valuation in respect of gratuity has been carried out by independent actuary, as at the balance sheet date, based on the following assumptions:		
Discount rate	6.90%	6.80%
Salary growth rate	7.00%	7.00%
Weighted average duration of defined benefit obligation	11.59	11.74
Expected rate of return on plan assets	6.80%	7.60%
Withdrawal Rate		
Service below 5 years	20.00%	20.00%
Service 5 years & above	2.00%	2.00%
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:

Change in assumption	As at March 31, 2021	As at March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	-11.41%	-11.62%
(ii) 1% decrease in discount rate	13.65%	14.00%
(iii) 1% increase in rate of salary escalation	12.22%	12.61%
(iv) 1% decrease rate of salary escalation	-10.53%	-10.77%

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.

Notes to the Standalone Financial Statements
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Major categories of plan assets are as follows:

(₹ in million)

Particulars	As at March 31, 2021		As at March 31, 2020 (Restated)	
	Amount	%	Amount	%
Funds managed by Insurer	312.79	100%	232.22	100%
Total	**312.79**	**100%**	**232.22**	**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, 2021 and year ended March 31, 2020 was ₹16.78 million and ₹15.88 million respectively.

The Company expects to contribute ₹40.00 million to the plan asset during the year ended March 31, 2022. During the year ended March 31, 2021, the Company has contributed amount of ₹80.70 million net of charges and taxes.

Maturity profile of defined benefit obligation:

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Within 1 year	**12.29**	14.23
1-2 year	**12.81**	10.19
2-3 year	**15.70**	16.57
3-4 year	**23.31**	18.15
4-5 year	**25.04**	25.45
5-10 years	**182.56**	168.30

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 neutralise 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 result in 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.

Note 43: Fair value measurement

Financial instruments by category

(₹ in million)

Particulars	March 31, 2021			March 31, 2020 (Restated)		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	0.09	-	-	0.09	-	-
- Government securities	-	-	0.06	-	-	0.06
Trade receivables	-	-	3,628.24	-	-	2,532.89
Loans	-	-	117.59	-	-	99.84
Cash and bank balances	-	-	2,473.91	-	-	1,259.56
Derivative contracts	8.51	-	-		20.03	-
Other financial assets	-	-	158.90	-	-	130.68
Total financial assets	**8.60**	**-**	**6,378.70**	**0.09**	**20.03**	**4,023.03**
Financial liabilities						
Borrowings	-	-	5,079.19	-	-	5,050.53
Lease liabilities	-	-	179.46	-	-	260.86
Derivative contracts	-	-	-	8.90	-	-
Security deposits	-	-	70.24	-	-	68.82
Trade payables	-	-	5,185.07	-	-	4,816.55
Acceptances	-	-	444.35	-	-	144.24
Other financial liabilities	-	-	1,068.59	-	-	1,197.13
	-	**-**	**12,026.90**	**8.90**	**-**	**11,538.13**

(i) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2021	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.09	-	0.09
Derivative contracts	-	8.51	-	8.51
Total	**-**	**8.60**	**-**	**8.60**

(₹ in million)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments- Government Securities	0.06	-	-	0.06
Total financial assets	**0.06**	**-**	**-**	**0.06**
Financial Liabilities				
Borrowings	-	-	5,079.19	5,079.19
Total financial liabilities	**-**	**-**	**5,079.19**	**5,079.19**

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2020	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.09	-	0.09
Total	**-**	**0.09**	**-**	**0.09**
Liabilities measured at fair value				
Derivative contracts	-	8.90	-	8.90
Total	**-**	**8.90**	**-**	**8.90**

(ii) Valuation technique used to determine fair value

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

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spread between the respective currencies, interest rate curves etc. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value through profit and loss.

Commentary

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

The borrowings are at floating rate of interest and hence their fair values as at March 31, 2021 approximate their carrying values.

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

Note 44: Financial risk management

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

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Market Risk

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

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

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 . 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 principal 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.

i) The Company's exposure to foreign currency risk as at March 31, 2021 expressed in INR, is as follows:

(₹ in million)

Particulars	March 31, 2021				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	227.79	400.43	-	22.15	650.37
Financial liabilities					
Trade payables	398.97	482.36	83.45	21.23	986.01
Net assets/(liabilities)	**(171.18)**	**(81.93)**	**(83.45)**	**0.92**	**(335.64)**

ii) The Company's exposure to foreign currency risk as at March 31, 2020 expressed in INR, is as follows:

(₹ in million)

Particulars	March 31, 2020 (Restated)				
	USD	EURO	JPY	Other currencies	Total
Financial assets					
Trade receivables	159.73	438.91	-	12.72	611.36
Interest receivable	-	79.98	-	-	79.98
Financial liabilities					
Trade payables	322.56	706.28	15.07	16.57	1,060.48
Other liabilities	-	156.39	-	-	156.39
Net assets/(liabilities)	**(162.83)**	**(343.78)**	**(15.07)**	**(3.85)**	**(525.53)**

iii) Sensitivity

For the year ended March 31, 2021 and March 31, 2020, every 5% 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 ₹8.56 million and ₹8.14 million respectively. And for Euro, every 5% percentage point appreciation/depreciation in the exchange rate would have affected the Company's incremental operating margin by approximately ₹4.10 million, Previous year ₹17.19 million. The sensitivity for net exposure in 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.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

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:

(₹ 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, 2021	INR	+100	(50.61)	5,060.62
March 31, 2021	INR	-100	50.61	5,060.62
March 31, 2020 (Restated)	INR	+100	(33.31)	3,331.31
March 31, 2020 (Restated)	INR	-100	33.31	3,331.31

C) Other price risk

The Company does not have material investments in equity securities other than investments in its subsidiaries. Hence, equity price risk is considered to be low. Further, the Company's operating activities require the ongoing purchase of various commodities for manufacture of automotive parts. However, the movement is commodity prices are substantially adjusted through price differences as per customer contracts and hence commodity price risk for the Company is also considered to be low.

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 investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company only deals with parties which have good credit rating/worthiness given by external rating agencies or based on the Company's internal assessment.

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, 2021, receivable from Company's top 5 customers accounted for approximately 62.98 % (March 31, 2020: 73.25%) 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.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's corporate treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties. Credit limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at March 31, 2021 and March 31, 2020 is the carrying amounts as disclosed in note 13 except for financial guarantees. The Company's maximum exposure relating to financial guarantees is disclosed in note 51 (B).

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

d) 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 at March 31, 2021, 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.

(₹ in million)

March 31, 2021	On demand	< 1 year	1 to 5 years	> 5 years
Borrowings	0.77	1,305.59	3,772.83	-
Lease liability	-	102.21	77.25	-
Trade Payables	-	5,185.07	-	-
Acceptances	-	444.35	-	-
Other financial liabilities	70.24	1,068.59	-	-

(₹ in million)

March 31, 2020	On demand	< 1 year	1 to 5 years	> 5 years
Borrowings	1.00	2,270.04	2,779.49	-
Lease liability		94.26	166.60	-
Trade Payables	-	4,816.55	-	-
Acceptances	-	144.24	-	-
Other financial liabilities	67.14	1,197.13	1.68	-
Derivative liabilities pending settlement	-	8.90	-	-

The amounts disclosed in the above table are the contractual undiscounted cash flows

For financial guarantee contracts, refer note 51 (B).

Note 45: Capital management

(a) Risk management

The Company's capital comprises equity 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 debt-equity ratio, which is net debt divided by total equity. Net debt comprises of long-term and short-term borrowings less cash and bank balances. Equity includes equity share capital and other equity attributable to equity shareholders. The debt-equity ratio at the end of the reporting period was as follows.

The Company's strategy is to maintain a debt-equity < 1

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
(A)Net debt		
Non-current borrowing (refer note 20)	3,772.83	2,779.49
Current maturities of non-current borrowings (refer note 27)	1,302.16	848.50
Current borrowings (refer note 25)	4.20	1,422.54
Less: Cash and cash equivalents (refer note 13 and 14)	(2,473.91)	(1,259.56)
Net debt (A)	**2,605.28**	**3,790.97**
(B)Total equity		
Equity share capital	152.78	134.81
Other equity	19,016.83	11,238.45
Total equity (B)	**19,169.61**	**11,373.26**
Net debt to equity ratio (A/B)	**0.14**	**0.33**

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

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. Some of the financial covenants were not complied as at March 31, 2021. Refer note 20 for details.

(b) Dividends distributed and proposed

(₹ in million)

Dividends recognised in the financial statements	March 31, 2021	March 31, 2020
Final dividend for the year ended March 31, 2019 of ₹4 per equity share paid on August 14, 2019 (including dividend distribution tax of ₹104.39 million.)	-	539.25
Interim dividend for the year ended March 31, 2020 of ₹3 per equity share declared and paid on February 28, 2020 .	-	404.43
Dividend distribution tax	-	122.27
	-	**1,065.95**

Dividends not recognised at the end of the reporting period

The Board of Directors have not recommended any dividend during the current year (for March 31, 2020, the final dividend proposed by the Board was ₹Nil per equity share).

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 46: Impact of hedging activities

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

March 31, 2021

(₹ in million)

Type of hedge and risks	Nominal value Assets	Nominal value Liabilities	Carrying amount of hedging instrument Assets	Carrying amount of hedging instrument Liabilities	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
Cash flow hedge									
Principal and interest rate swaps	-	-	-	-	March 04, 2021	1:1	₹68.75	(12.73)	12.73
Principal and interest rate swaps	-	-	-	-	May 20, 2021	1:1	₹66.60	(7.29)	7.29
Fair value through P&L									
Foreign exchange forward contracts-EUR	162.31	-	7.53	-	September 30, 2021	1:1	₹90.87	(7.53)	7.53
Foreign exchange forward contracts-USD	158.27	47.62	1.14	(0.15)	July 30, 2021	1:1	₹74.02	(0.98)	0.98

March 31, 2020

(₹ in million)

Type of hedge and risks	Nominal value Assets	Nominal value Liabilities	Carrying amount of hedging instrument Assets	Carrying amount of hedging instrument Liabilities	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
Cash flow hedge									
Principal and interest rate swaps	-	184.36	-	12.73	March 04, 2021	1:1	₹68.75	18.21	(14.51)
Principal and interest rate swaps	-	71.37	-	7.29	May 20, 2021	1:1	₹66.60	4.57	(5.22)
Fair value through P&L									
Option	-	-	-	-	-	-	-	-	-
Foreign exchange forward contracts-EUR	152.27	-	(4.05)	-	September 30, 2020	1:1	₹81.50	4.05	(4.05)
Foreign exchange forward contracts-USD	114.78	-	(4.84)	-	August 31, 2020	1:1	₹72.89	10.05	(10.05)

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Movement in cash flow hedging reserve

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Cash flow hedge		
Balance at the beginning of the year	(4.66)	(6.65)
Gain/loss on changes in fair value of hedging instrument	-	22.79
Income tax relating to gains/loss reclassified to profit and loss	-	(1.07)
Reclassification to Statement of Profit and Loss	4.66	(19.73)
Balance at the end of the year	**-**	**(4.66)**

Note 47: Related party disclosure
a. Related parties and their relationship

A. Related parties where control exists

1. Subsidiaries
   - Varroc Polymers Private Limited
   - Durovalves India Private Limited
   - Team Concepts Private Limited
   - CarIQ Technologies Private Limited
   - Varroc European Holding B.V. The Netherlands
   - Varroc Corp Holding B.V. The Netherlands
   - Varroc Japan Co. Limited
   - Industrial Meccanica E Stampaggio S.p.a.
   - Varroc Lighting Systems Italy SPA
   - Varroc Lighting Systems Romania S.A. (previously known as "Electromures SA")
   - Varroc Lighting Systems Vietnam Co. Ltd..
   - Varroc Lighting Systems SRO, Czech Republic
   - Varroc Lighting Systems GmBH, Germany
   - Varroc Lighting Systems Inc. USA
   - Varroc Lighting Systems S.de.R.L. De. C.V., Mexico
   - Varroc Lighting Systems sp. Z o.o., Poland
   - Varroc Lighting Systems S.A., Morocco
   - Varroc do Brasil Industria E Commercia Ltd.A
   - Varroc Lighting Systems Electronics Romania SRL (earlier known as Varroc Elba Electronics SRL) (w.e.f. December 08, 2020)
   - TRI.O.M. SA De. C. V.Mexico (till September 27, 2019)
   - Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim €irketi.
   - Varroc Lighting Systems, Bulgaria EOOD
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 (Subsidiary of Varroc TYC Auto Lamp Co., China)
   - Nuova CTS S.r.L.,Italy
   - Varroc Dell'Orto Private Limited
   - Varroc Elba Electronics SRL (Upto December 07, 2020)

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

B. Other related parties with whom transactions have taken place during the period

3. Key Management Personnel
   - Mr. Tarang Jain-Chairman and Managing Director

   Whole-time Directors
   - Mr. Arjun Jain
   - Mr. Ashwani Maheshwari (Till April 29, 2020)
   - Mr. Rohit Prakash (w.e.f. April 29, 2020)

   Non-executive Directors
   - Mr. Naresh Chandra (Till November 10, 2020)

   Independent Directors
   - Mr. Gautam Khandelwal
   - Mr. Marc Szulewicz
   - Mrs. Vijaya Sampath
   - Mr. Vinish Kathuria
4. Relatives of Key Management Personnel with whom transactions have taken place
   - Mr. Dhruv Jain-Son of Mr. Tarang 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
   - TJ Holdings Trust
   - Naresh Chandra Holdings Trust
   - Suman Jain Holdings Trust

b) Transactions with related parties and balances at year end

(₹ in million)

	Description of the nature of transactions	Transactions		Balances			
		For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)	As at March 31, 2021		As at March 31, 2020	
				Receivable	Payable	Receivable (Restated)	Payable (Restated)
A]	**Sale of goods, services and fixed assets** *						
	Industrial Meccanica E Stampaggio S.p.a.	4.77	4.22	4.61	-	4.34	-
	Varroc Lighting Systems Italy SPA	15.83	3.23	12.37	-	1.66	-
	Varroc Polymers Private Limited	168.82	179.27	29.49	-	32.50	-
	Durovalves India Private Limited	53.45	24.88	16.29	-	3.02	-
	Varroc Lighting Systems Inc. USA	83.55	3.99	144.63	-	58.49	-
	Varroc Lighting Systems SRO, Czech Republic	449.11	272.44	128.32	-	194.40	-
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	1.77	1.60	2.01	-	0.15	-
	Varroc Lighting Systems S.A., Morocco	30.91	17.29	35.37	-	6.49	-
	Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim €irketi	7.75	9.00	5.86	-	1.54	-
	Varroc Lighting Systems Vietnam Co. Ltd..	0.49	-	0.49	-	-	-
	Varroc Dell'Orto Private Limited	226.39	8.14	73.84	-	10.35	-
	Endurance Technologies Limited	4.12	39.38	0.19	-	2.05	-

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

	Description of the nature of transactions	Transactions: For the year ended March 31, 2021	Transactions: For the year ended March 31, 2020 (Restated)	Balances: As at March 31, 2021 Receivable	Balances: As at March 31, 2021 Payable	Balances: As at March 31, 2020 Receivable (Restated)	Balances: As at March 31, 2020 Payable (Restated)
B]	**Purchase of goods, services and fixed assets ***						
	Durovalves India Private Limited	54.89	54.83	-	7.57	-	17.22
	Varroc Lighting Systems Italy SPA	6.65	2.46	-	0.55	-	2.57
	Varroc Lighting Systems Romania S.A.	-	-	-	-	-	0.14
	Varroc Lighting Systems Inc. USA	-	247.77	-	-	-	329.75
	Varroc Lighting Systems SRO, Czech Republic	33.61	71.40	-	72.37	-	283.01
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	0.20	3.22	-	7.36	-	7.16
	Varroc Lighting Systems S.p.z.o.o., Poland	-	8.34	-	-	-	7.84
	Varroc Lighting Systems Vietnam Co. Ltd..	-	0.06	-	-	-	0.06
	Varroc Japan Co. Limited	29.37	40.13	-	2.11	-	7.02
	Varroc TYC Auto Lamps Co. Ltd.., China	2.22	1.49	-	0.09	-	1.33
	Varroc Polymers Private Limited	180.98	222.37	-	31.86	-	114.82
C]	**Dividend received**						
	Varroc Polymers Private Limited-Equity Shares	-	317.46	-	-	-	-
	Durovalves India Private Limited - Equity Shares	-	31.45	-	-	-	-
D]	**Management consultancy fees received**						
	Durovalves India Private Limited	5.00	5.00	1.48	-	1.48	-
	Varroc Dell'Orto Private Limited	9.34	-	3.49	-	-	-
	Varroc Lighting Systems Inc. USA	72.90	144.55	72.47	-	74.60	-
E]	**Rent received**						
	Varroc Polymers Private Limited	19.19	16.03	-	-	-	-
	Varroc Dell'Orto Private Limited	1.71	-	1.66	-	-	-
F]	**Interest received/ receivable**						
	Varroc European Holding B.V. The Netherlands##	19.42	-	-	-	79.98	-
	Varroc Corp Holding B.V. The Netherlands	12.10	-	5.58	-	-	-
	CarIQ Technologies Private Limited	2.06	0.91	2.77	-	0.82	-
G]	**Guarantee commission received**						
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	14.63	13.79	7.24	-	-	-
	Varroc Lighting Systems Inc. USA	26.50	24.24	18.83	-	7.83	-
	Varroc European Holding B.V. The Netherlands	9.29	16.44	0.19	-	27.59	-
	Varroc Corp Holding B.V.The Netherlands	65.25	39.59	86.32	-	15.18	-
	Varroc do Brasil Industria E Commercia LTDA	12.53	13.31	21.92	-	12.72	-
H]	**Professional charges/commission paid/payable**						
	Mr. Naresh Chandra	0.37	0.57	-	-	-	-
	Mr. Gautam Khandelwal	0.94	2.08	-	0.87	-	1.87
	Mr. Marc Szulewicz	1.87	1.78	-	1.87	-	1.78
	Mrs. Vijaya Sampath	1.50	2.20	-	1.50	-	1.98
	Mr. Vinish Kathuria	1.80	2.30	-	1.67	-	2.07
						-	-
I]	**Directors fees paid**					-	-
	Mr. Naresh Chandra	-	0.06	-	-	-	-
	Mr. Gautam Khandelwal	2.00	1.30	-	-	-	-
	Mr. Marc Szulewicz	1.10	0.50	-	-	-	-
	Mrs. Vijaya Sampath	2.00	1.30	-	-	-	-
	Mr. Vinish Kathuria	1.60	1.10	-	-	-	-

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(₹ in million)

	Description of the nature of transactions	Transactions: For the year ended March 31, 2021	Transactions: For the year ended March 31, 2020 (Restated)	Balances: As at March 31, 2021 Receivable	Balances: As at March 31, 2021 Payable	Balances: As at March 31, 2020 Receivable (Restated)	Balances: As at March 31, 2020 Payable (Restated)
J]	**Dividend paid**						
	Final dividend FY2018-19 and Interim dividend FY2019-20						
	Mr. Tarang Jain	-	425.11	-	-	-	-
	Mr. Arjun Jain	-	0.04	-	-	-	-
	Mr. Dhruv Jain	-	0.04	-	-	-	-
	TJ Holdings Trust	-	236.95	-	-	-	-
	Naresh Chandra Holdings Trust	-	70.00	-	-	-	-
	Suman Jain Holdings Trust	-	70.00	-	-	-	-
K]	**Managerial remuneration #**						
	Mr. Tarang Jain	26.29	51.70	-	-	-	-
	Mr. Arjun Jain	10.22	11.98	-	-	-	-
	Mr. Ashwani Maheshwari (upto April 29, 2020)	1.39	21.23	-	-	-	-
	Mr. Rohit Prakash (w.e.f. April 29, 2020)	16.09	-	-	-	-	-
L]	**Reimbursement of expenses (Received/ Receivable)**					-	-
	Varroc Polymers Private Limited	15.51	1.09	1.56	-	1.13	-
	Durovalves India Private Limited	1.82	0.74	-	-	0.74	-
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	0.03	0.15	0.03	-	0.15	-
	Varroc Lighting Systems Inc. USA	4.81	3.64	5.84	-	3.69	-
	Varroc Lighting Systems SRO, Czech Republic	0.16	31.76	0.77	-	12.31	-
	Varroc Lighting Systems S.A., Morocco	0.87	-	-	-	-	-
	Varroc Lighting Systems Vietnam Co. Ltd..	-	0.44	-	-	0.47	-
	Varroc Lighting Systems, Turkey Endüstriyel Urünler Imalat Ve Ticaret Anonim Sirketi	-	0.04	-	-	0.03	-
	Varroc TYC Auto Lamps Co. Ltd.., China	-	0.20	-	-	-	-
	Varroc Dell'Orto Private Limited	0.67	0.85	-	-	0.81	-
M]	**Reimbursement of expenses (Paid/Payable)**						
	Durovalves India Private Limited**	0.00	-	-	-	-	-
	Varroc Polymers Private Limited	0.28	2.00	-	0.19	-	1.54
	Varroc Lighting Systems Inc. USA	18.41	-	-	18.41	-	-
						-	-
N]	**Rent Paid**						
	Varroc Polymers Private Limited	0.30	3.16	-	0.35	-	0.39
O]	**Guarantees for facilities availed by subsidiaries*** **						
	Varroc Lighting Systems S.de.R.L. De. C.V., Mexico	1,542.14	1,521.00	-	1,486.40	-	1,521.00
	Varroc Lighting System Inc. USA	3,864.64	3,802.50	-	1,635.04	-	3,802.50
	Varroc Corp Holding B.V.The Netherlands	8,150.52	6,324.92	-	6,169.41	-	6,324.92
	Varroc do Brasil Industria E Commercia LTDA	1,473.37	1,390.66	-	879.71	-	1,390.66
P)	**Corporate guarantees/stand by letter of credit**						
	Varroc European Holding B.V. The Netherlands.	1,314.60	1,579.13	-	460.11	-	1,579.13
	Varroc Lighting Systems Electronics Romania SRL	368.09	-	-	81.98	-	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

(₹ in million)

	Description of the nature of transactions	Transactions		Balances			
		For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)	As at March 31, 2021 Receivable	As at March 31, 2021 Payable	As at March 31, 2020 Receivable (Restated)	As at March 31, 2020 Payable (Restated)
Q)	**Loan to Subsidiaries/(repayment)**					-	-
	CarIQ Technologies Private Limited	-	20.00	20.00	-	20.00	-
	Varroc European Holding B.V. The Netherlands (Same has been repaid during the year)	1,265.42	-	-	-	-	-
R)	**Sale of MEIS / SEIS licenses**					-	-
	Varroc Polymers Private Limited	8.80	11.98	-	-	0.30	-
S)	**Other Expenses**						
	Varroc Lighting Systems Inc. USA	156.41	18.95	-	191.61	-	-
	Varroc Lighting Systems S.p.z.o.o., Poland	12.29	-	-	19.36	-	-
	Varroc Lighting Systems SRO, Czech Republic (Royalty)	40.00	-	-	-	-	-
	Varroc Lighting Systems SRO, Czech Republic (R&D, R&M, etc)	25.66	-	-	-	-	-
T)	**Issue of equity shares**						
	CarIQ Technologies Private Limited	-	192.40	-	-	-	-
	Varroc Dell'orto Private limited	-	15.00	-	-	-	-
U)	**Share Application Money Paid**						
	Varroc Corp Holding B.V.The Netherlands	6,056.17	-	-	-	-	-

Notes:

* All the amounts exclusive of taxes, if any.

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

*** The balances at year end pertain to guarantees outstanding as at Balance sheet date.

As gratuity and compensated absences are computed for all the employees in aggregate, the amount relating to the key managerial personnel, can not 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 except the above.

Notes to the Standalone Financial Statements
for the year ended March 31, 2021

Note 48 (a): Commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance)

(₹ in million)

Particulars	March 31, 2021	March 31, 2020 (Restated)
Purchase of property, plant and equipment	1,344.97	824.00

ii) Lease commitments

Company as lessor

The Company has entered into operating leases on its investment properties , with lease terms between three to five years.

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Within one year	18.29	25.50
After one year but not more than five years	82.20	112.38

Note 49: Earnings per share

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
Earnings per share (EPS)		
Basic		
Profit after tax (Rupees in million)	921.62	1,038.68
Weighted average number of shares outstanding	135,156,254	134,811,530
Basic EPS (Amount in Rupees)	**6.82**	**7.70**
Diluted		
Profit after tax (Rupees in million)	921.62	1,038.68
Weighted average number of shares outstanding	135,156,254	134,811,530
Diluted EPS (Amount in Rupees)	**6.82**	**7.70**

Note 50: Interests in joint venture

Set out below are the joint venture of the Company as at March 31, 2021:

(₹ in million)

Name of entity	Place of business	% of ownership	Relationship	Accounting method	Carrying Value As at March 31, 2021	Carrying Value As at March 31, 2020
Varroc Dell'Orto Private Limited	India	50%	Joint Venture	Equity Method	15.25	15.25
Total					**15.25**	**15.25**

The joint venture entity is primarily engaged in the business of auto components and services in the automotive industry.

Commitments and contingent liabilities in respect of joint venture

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Varroc Dell'Orto Private Limited	-	-

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 50: Interests in joint venture

Summarised financial information for Joint Venture

The summarised financial information for joint venture disclosed below, reflects the amounts presented in the financial statements of the joint venture and not Varroc's share of those amounts.

(₹ in million)

(i) Summarised balance sheet	Varroc Dell'Orto Private Limited	
	As at March 31, 2021	As at March 31, 2020
Current assets		
Cash and cash equivalents	59.66	29.49
Other assets	155.91	16.49
Total current assets	**215.57**	**45.98**
Total non-current assets	**1.51**	**-**
Current liabilities		
Financial liabilities	162.48	20.53
Other liabilities	11.52	7.81
Total current liabilities	**174.00**	**28.34**
Non-current liabilities		
Other liabilities	0.42	-
Total non-current liabilities	**0.42**	**-**
Net assets	**42.66**	**17.64**

(₹ in million)

(ii) Summarised statement of profit and loss	Varroc Dell'Orto Private Limited	
	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue	544.93	11.10
Cost of goods sold and other expenses	511.25	23.95
Interest expense	0.15	0.01
Income tax expense	8.44	-
Profit /loss for the year	**25.09**	**(12.86)**
Other comprehensive income	0.07	-
Total comprehensive income	**25.02**	**(12.86)**
Dividends received	**-**	**-**

Note 51: Contingent liabilities

(A) Claims against the Company not acknowledged as debt

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020 (Restated)
Disputed excise and service tax matters	250.17	222.15
Income tax matters	41.49	23.73
Warranty claim (Refer note (ii))	312.14	-
Employee related disputes	31.61	17.44
Export promotion capital goods (EPCG) (Export obligation against the above ₹1,173.40 million, Previous year ₹251.90 million)	195.57	41.98
Provident fund liability	**See note (ii) below**	

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

(i) The Company is contesting excise and service tax demand and the management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position and results of the operations. The Company has deposited ₹0.26 million (Previous year ₹0.38 million) with the tax authorities against the said demand to comply the order of hon'ble tax authorities. The hon'ble tax authorities have accepted the plea of Company and has given stay on entire demand after deposit of specified amount till the disposal of case.

(ii) The Company has received claim from one of the customers in respect of warranty and other damages/costs for products supplied in earlier years. The Group is contesting the claim and the management, based on its internal evaluation and discussions with the legal counsel, is of the view that the dispute is at a nascent stage and the future course of action is dependent on outcome of discussions between the parties. Management does not expect any material cash outflow/liability in this matter. Accordingly, no provision has been made in these financial statements.

(iii) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated February 28, 2019. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.

(B) The Company has provided corporate guarantees/stand by letter of credit as at March 31, 2021:

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Corporate guarantees for loan taken by Foreign Subsidiaries [(March 31, 2021-USD 72.75 million (March 31, 2020-USD 72.75 million)] Amount Drawdown as at March 31, 2021: USD 42 million (March 31, 2020-USD 70 million)	3,121.44	5,323.50
Standby letter of credit and corporate guarantees given for loans taken by Foreign subsidiaries [(March 31, 2021-EURO 112.20 million (March 31, 2020-Euro 93.85 million)] Amount Drawdown as at March 31, 2021: EURO 76.58 million (March 31, 2020-EURO 93.85 million)	6,711.51	7,904.05
Corporate guarantees for loan taken by Foreign Subsidiaries [(March 31, 2021-BRL 116 million (March 31, 2020-BRL 97.50 million)] Amount Drawdown as at March 31, 2021: EURO 69.26 million (March 31, 2020-BRL 97.50 million)	879.71	1,390.66

The loans taken by the subsidiaries against the above guarantees/standby letter of credit have been utilised by them for setting up of manufacturing facilities and/or working capital requirements.

For above guarantees following charge is created in favour of

1. 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. The said charge discharge on April 05, 2021.

(C) Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 52: Fire incident

On February 18, 2020, VLSIPL's plant located at Hinjewadi, Pune (part of the Company post merger of VLSIPL) caught major fire. There were no human casualties reported. Evacuation team conducted successful evacuation of all persons present in the factory at the time of fire. After preliminary investigation, it was found that the cause of fire was due to short circuit. Except for a small amount of inventory, fixed assets and certain toolings, all other assets, documents, vouchers, etc were lost in the fire.

During the Previous year ended March 31, 2020, the carrying value of inventories of ₹245.41 million (including expenses incurred and GST reversals) and carrying value of property, plant and equipment of ₹570.05 million was written off in the statement of profit and loss. Since the Company had a valid insurance policy which adequately covered the above loss, the same was shown as receivable as at March 31, 2020. Further, the Company had also received an interim amount of ₹500 million from insurance company against the above loss incurred, pending finalisation and approval of the insurance claim which was shown as an advance/ liability in books as at March 31, 2020. The insurance claim in this regard was finally settled in the current year and accordingly the other income for the year ended March 31, 2021 includes an amount of ₹364.72 million being the excess of claim amount over net book value of assets destroyed. Further, the Company has sold plot of land belonging to the above said plant in the current year. Accordingly, other income for the year ended March 31, 2021 includes amount of ₹241.87 million being profit on sale of such land.

Note 53: Utilisation of proceeds from issue of shares

During the year ended March 31, 2021, the Company has issued 17,974,870 equity shares of ₹1 each at an issue price of ₹389 per equity share, aggregating to ₹6,992.22 million (including securities premium of ₹6,974.25 million). The issue was made through eligible Qualified Institutional Placement (QIP) in terms of chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, Section 42 and other relevant provisions of the Companies Act, 2013.

Qualified Institutional Placement

(₹ in million)

Particulars	March 31, 2021
Proceeds from the issue of shares during the year	6,992.22
Utilisation during the year	
Issue related expenses	140.30
Repayment of short-term borrowings	890.00
Investment in overseas subsidiary (intended to be utilised primarily for capex requirements and repayment of overseas external loans)	4,726.70
Balance unutilised amount available in current account with Bank's	1,235.22

Note 54: Expenditure incurred on research and development

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020 (Restated)
(a) Revenue expenditure– charged to Statement of Profit and Loss	582.81	619.67
(b) Revenue expenditure– captalised	-	-
(c) Capital expenditure– excluding building	31.12	226.60
(d) Capital expenditure– building	-	-

The revenue expenditure as above comprise of employee benefit costs relating to personnel engaged in R&D activities, consumption of raw materials, stores and spares, power and fuel and other expenses and depreciation directly related to R&D. These expenses have been booked under the respective heads in the statement of profit and loss. Previous year figures regrouped wherever necessary to conform to current year classification. Capital expenditure comprises of expenditure on Plant & machinery, factory equipments and software pertaining to R&D.

Notes to the Standalone Financial Statements

for the year ended March 31, 2021

Note 55: Impact of COVID-19

The Company has considered the possible effects of the COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, etc. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Company, as at the date of approval of these standalone financial statements, has used internal and external sources of information. The Company has performed analysis on the assumptions used and based on current estimates, expects the carrying amounts of the assets to be recoverable as at March 31, 2021. The impact of COVID-19 on the Company's standalone financial statements may differ from that estimated as at the date of approval of these standalone financial statements.

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754
Place: Pune

Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole-time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Independent Auditor's Report

To the Members of Varroc Engineering Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Varroc Engineering Limited (hereinafter referred to as the "Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint ventures comprising of the Consolidated Balance sheet as at March 31, 2021, the Consolidated Statement of Profit and Loss, including other comprehensive income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and joint ventures, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and joint ventures as at March 31, 2021, their consolidated loss including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 38 of the accompanying consolidated financial statements in respect of litigation relating to alleged patent infringements. In management's view, the matter is technical and needs extensive evaluation and hence it is not possible to determine the potential outcome of this matter. Based on a legal opinion obtained, the Group believes that it has grounds to defend against the said allegation and accordingly no provision has been considered in respect of this matter as at March 31, 2021 in these consolidated financial statements.

Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment of Intangible assets under development (Engineering, design and development costs) (as described in note 2A of the consolidated financial statements)</td></tr>
<tr><td>The Group has intangible assets under development of ₹3,625 million pertaining to Engineering, design and development costs (ED&D). As described in Note 2 to the consolidated financial statements, such costs are incurred for development of automotive part designs and are capitalised when the criteria for capitalising are met and in particular, when it is probable that future economic benefits attributable to the project will flow to the Group.

These intangible assets are amortised from the start of production of underlying parts over the programme life.

ED&D-related intangible assets under development which are not being amortised yet, are tested for impairment on an annual basis and whenever there is an indication of impairment.

The inputs to the impairment testing model which have the most significant impact on CGU's recoverable amount include:
- Revenue forecasts and EBITDA margins during explicit forecast period of 5 years;
- Growth rate and EBITDA margins for terminal value period;
- Discount rates;

The impairment testing model includes sensitivity testing of key assumptions, including revenue growth, EBITDA margins, terminal value and discount rates.

The impairment testing involves significant judgements and estimates because the assumptions on which the tests are based are judgement al and are affected by future market and economic conditions which are inherently uncertain. Accordingly, the same is determined to be a key audit matter in our audit of the consolidated financial statements.</td><td>The audit procedures performed by us and/or by the independent auditors of the components included the following:
• Assessed the Group's methodology applied in determining the respective CGUs to which ED&D related intangible assets under development are allocated.
• Assessed the key assumptions used to determine the recoverable amounts of the CGUs including revenue growth, EBITDA margins, terminal values and discount rates.
• Performed sensitivity testing of key assumptions used.
• Assessed the arithmetical accuracy of the models.
• Involved valuation specialists, where warranted, to assist in evaluating the key assumptions and methodologies.
• Assessed the disclosures in the consolidated financial statements for compliance with the relevant accounting standard requirements.</td></tr>
<tr><td colspan="2">Recoverability of deferred tax assets recognised in Varroc Lighting Systems SRO ("Czech subsidiary") (as described in note 21 of the consolidated financial statements)</td></tr>
<tr><td>The Group has deferred tax assets of ₹1,122 million as at March 31, 2021 pertaining to the available tax benefit under capital investment scheme availed by the Czech subsidiary. The Group has also recognised deferred tax asset of ₹439 million as at March 31, 2021 on tax losses for the year 2020-21 that are carried forward. The recoverability of above deferred tax assets depends on the generation of sufficient taxable income in future years.

The estimation of future taxable profits of Czech subsidiary involves inherent uncertainty since it is based on the achievement of business plans and the ongoing tax planning strategies.

Therefore, the conclusion concerning the recoverability of deferred tax asset recognised in the consolidated balance sheet in respect of Czech subsidiary is subject to significant judgement s and estimates by the management and hence is considered to be a key audit matter in our audit of the consolidated financial statements.</td><td>The audit procedures performed by us and the independent auditors of Czech subsidiary included the following:
• Read the Group accounting policy with respect to deferred taxes.
• Tested the financial projections which are based on approved business plans/budgets and analysed the key assumptions used to determine growth rates and future margins, and compared them with past performance.
• Assessed the criteria used by the management to estimate the possibility of recovering the deferred tax assets in subsequent years, based on the approved business plans.
• Assessed the disclosures in the consolidated financial statements for compliance with the relevant accounting standard requirements.</td></tr>
</table>

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
Impairment testing of Goodwill on Turkey business acquisition (as described in note 4.2 of the consolidated financial statements)	
The total carrying amount of Goodwill pertaining to Turkey business acquisition in the consolidated financial statements is ₹1,172 million. Such Goodwill is tested annually for impairment using discounted cash flow models wherein the CGU's recoverable value is compared to the carrying value of the CGU's net assets. A deficit between the recoverable value and the CGU's net assets would result in impairment. The inputs to the testing model which have the most significant impact on CGU's recoverable value include: - Revenue forecasts and EBITDA margins during explicit forecast period of 5 years; - Growth rate and EBITDA margins for terminal value period; - Discount rates; The impairment testing model includes sensitivity testing of key assumptions, including revenue growth, EBITDA margins, terminal value and discount rates. The annual impairment testing for Goodwill involves significant judgements and estimates because the assumptions on which the tests are based are highly judgement al and are affected by future market and economic conditions which are inherently uncertain. Accordingly, the same is determined to be a key audit matter in our audit of the consolidated financial statements.	Our audit procedures included the following: • Assessed the Group's methodology applied in determining the CGU to which the Goodwill amount is allocated. • Tested the assumption around the key drivers of the recoverable amounts for CGU including revenue growth, EBITDA margins, terminal values and discount rates used. • Assessed the recoverable value by performing sensitivity testing of key assumptions used. • Tested the arithmetical accuracy of the models. • Involved valuation specialists, where warranted, to assist in evaluating the key assumptions and methodologies. • Assessed the disclosures in the consolidated financial statements for compliance with the relevant accounting standard requirements.
Testing of compliance with Debt covenants (*as described in note 25 of the consolidated financial statements*)	
The total borrowings of the group as at March 31, 2021 was ₹29,979 million. The Group has availed long-term borrowings in various geographies. These borrowings have loan covenants with respect to debt-equity, debt service coverage, etc. non-compliance of which gives right to the lender to demand immediate repayment and/or penal interest. We identified this as a key audit matter in our audit of the consolidated financial statements considering the quantum of borrowings and the significant implications in case of non-compliance with loan covenants.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Evaluated the Group's assessment and workings for compliance with the relevant loan covenants as applicable to various borrowings in the Group; • Tested the underlying calculations used in the Group's assessment of debt covenants for a sample of loan contracts. • In case of non-compliance with any of the debt covenants, read the covenants waiver letters from lenders where available. In the absence of waiver letters, assessed the consequent reclassification of the respective borrowing from non-current to current. • Assessed the disclosures in the consolidated financial statements for compliance with the relevant accounting standard requirements.

Independent Auditor's Report

Key audit matters	How our audit addressed the key audit matter
De-recognition of trade receivables under factoring arrangements (*as described in note 2A of the consolidated financial statements*)	
The Group enters into non-recourse factoring arrangements for its trade receivables with various banks/financial institutions. As at March 31, 2021, the group derecognised trade receivables amounting to ₹7,274 million. The Group derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of derecognition of trade receivables under the factoring arrangements is complex and requires significant judgement. Accordingly, this has been identified as a key audit matter in our audit of the consolidated financial statements.	The audit procedures performed by us and/or by the independent auditors of the components included the following: • Evaluated the assessment made by management in respect of transfer of substantially all risks and rewards of ownership of the financial asset under the factoring contracts; • Read a sample of factoring contracts to understand the terms and assessed if they qualify as non-recourse arrangements and further assessed if the accounting is as per the requirements of Ind AS 109, "Financial Instruments"; • Assessed the disclosures in the consolidated financial statements for compliance with the relevant accounting standard requirements.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises Corporate Governance Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Board's Report (including the Annexures), Management Discussion and Analysis and Corporate overview and other details to be included in the annual report, which is expected to be made available to us after that date.

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

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

When we read the Board's Report (including the Annexures), Management Discussion and Analysis and Corporate overview and other details included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 of

Independent Auditor's Report

the assets of the Group and of its joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgement s and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the Group and of its joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and of its and joint ventures are also responsible for overseeing the financial reporting process of the Group and of its joint ventures.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint ventures to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

(a) We did not audit the financial statements and other financial information, in respect of 9 subsidiaries, whose financial statements include total assets of ₹67,128 million as at March 31, 2021, and total revenues of ₹74,604 million and net cash outflows/(inflows) of ₹5,200 million for the year ended on that date. These financial statement and other financial information have been audited by other auditors, the financial statements, other financial information and auditor's reports of which have been furnished to us by the management. The consolidated financial statements also include the Group's share of net profit of ₹405 million for the year ended March 31, 2021, as considered in the consolidated financial statements, in respect of 1 joint ventures, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint ventures, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and joint ventures, is based solely on the reports of such other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates

Independent Auditor's Report

to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

(b) The accompanying consolidated financial statements include unaudited financial statements and other unaudited financial information in respect of 4 subsidiaries, whose financial statements and other financial information reflect total assets of ₹1,458 million as at March 31, 2021, and total revenues of ₹431 million and net cash outflows/(inflows) of ₹(79) million for the year ended on that date. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. The consolidated financial statements also include the Group's share of net loss of ₹49 million for the year ended March 31, 2021, as considered in the consolidated financial statements, in respect of 3 joint ventures, whose financial statements, other financial information have not been audited and whose unaudited financial statements, other unaudited financial information have been furnished to us by the Management. Our opinion, in so far as it relates amounts and disclosures included in respect of these subsidiaries and joint ventures and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries and joint ventures, is based solely on such unaudited financial statements and other unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements and other financial information are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and joint ventures, as noted in the 'other matter' paragraph we report, to the extent applicable, that:

(a) We/the other auditors whose report we have relied upon, have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

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

(e) The matter described in Emphasis of Matter paragraph above, in our opinion, may have an adverse effect on the functioning of the Group;

(f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies and joint ventures, none of the directors of the Group's

Independent Auditor's Report

companies and joint ventures, incorporated in India, is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act;

(g) With respect to the adequacy and the operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiary companies and joint ventures, incorporated in India, refer to our separate Report in "Annexure" to this report;

(h) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries and joint ventures incorporated in India, the managerial remuneration for the year ended March 31, 2021 has been paid/provided by the Holding Company, its subsidiaries, and joint ventures incorporated in India to their directors in accordance with the provisions of Section 197 read with Schedule V to the Act;

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and joint ventures, as noted in the 'Other matter' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and its joint ventures in its consolidated financial statements – Refer Note 38 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 25 to the consolidated financial statements in respect of such items as it relates to the Group and its joint ventures;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and joint ventures, incorporated in India during the year ended March 31, 2021.

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

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 21105754AAAADC6588

Place of Signature: Pune
Date: June 04, 2021

Annexure to the Independent Auditor's Report

Of even date on the Consolidated Financial Statements of Varroc Engineering Limited

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Varroc Engineering Limited as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of Varroc Engineering Limited (hereinafter referred to as the "Holding Company") and its subsidiary companies and joint venture, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies and joint venture, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on, "the internal financial 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

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these consolidated 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, specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained 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 Holding Company's internal financial controls over financial reporting with reference to these consolidated financial statements.

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

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Consolidated Financial Statements

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

Opinion

In our opinion, the Holding Company and its subsidiary companies and joint venture, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated financial statements and such internal financial controls over financial reporting with reference to these consolidated financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Holding 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.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements insofar as it relates to a subsidiary and a joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

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

per Paul Alvares
Partner
Membership Number: 105754
UDIN: 21105754AAAADC6588

Place of Signature: Pune
Date: June 04, 2021

Consolidated Balance Sheet

as at March 31, 2021

(₹ in million)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	37,530.29	36,697.16
Capital work-in-progress	3.1	4,936.78	3,975.92
Right of use asset	3.2	7,605.20	8,282.42
Goodwill	4.2	1,743.50	2,008.98
Other Intangible assets	4.1	5,426.86	5,840.75
Intangible assets under development	4.1	3,625.48	3,925.40
Investments accounted for using the equity method	50	3,762.25	3,262.14
Financial assets			
Investments	5	0.20	0.20
Loans	6	170.64	160.89
Other financial assets	7	233.23	231.93
Income tax assets (net)		395.16	672.12
Deferred tax assets (net)	21	1,783.98	2,180.76
Other non-current assets	8	1,967.33	1,373.42
Total non-current assets		**69,180.90**	**68,612.09**
Current assets			
Inventories	9	12,564.56	10,758.16
Financial assets			
Investments	10	-	40.23
Trade receivables	11	16,407.38	10,893.33
Cash and cash equivalents	12 (a)	7,415.30	10,659.74
Other bank balances	12 (b)	37.02	27.93
Loans	13	221.40	121.62
Other financial assets	14	9.82	21.16
Other current assets	15	6,416.85	8,888.47
Total current assets		**43,072.33**	**41,410.64**
Total assets		**112,253.23**	**110,022.73**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	16	152.79	134.81
Other equity	17	30,126.34	29,910.45
Equity attributable to equity holders of the parent		**30,279.13**	**30,045.26**
Non-controlling interests		281.77	249.24
Total equity		**30,560.90**	**30,294.50**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	18	9,361.22	9,002.04
Lease liabilities	3.2	6,192.10	6,522.15
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	24	-	-
Total outstanding dues other than micro enterprises and small enterprises	24	134.98	-
Other financial liabilities	19	222.50	232.59
Provisions	20	1,257.10	1,181.65
Deferred tax liabilities (net)	21	1,334.47	985.83
Other non-current liabilities	22	1,604.91	1,831.75
Total non-current liabilities		**20,107.28**	**19,756.01**

Consolidated Balance Sheet

as at March 31, 2021

(₹ in million)

Particulars	Notes	As at March 31, 2021	As at March 31, 2020
Current liabilities			
Financial liabilities			
Borrowings	23	8,217.60	17,004.44
Lease liabilities	3.2	774.49	603.97
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	24	1,661.33	866.28
Total outstanding dues other than micro enterprises and small enterprises	24	28,048.31	22,780.07
Acceptances		601.97	157.47
Other financial liabilities	25	18,013.39	13,598.80
Provisions	26	694.53	575.12
Income tax liabilities (net)		118.29	111.81
Other current liabilities	27	3,455.14	4,274.26
Total current liabilities		**61,585.05**	**59,972.22**
Total liabilities		**81,692.33**	**79,728.23**
Total equity and liabilities		**112,253.23**	**110,022.73**

Summary of significant accounting policies 2

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole Time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Consolidated Statement of Profit and Loss
for the year ended March 31, 2021

(₹ in million)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue			
Revenue from operations	28	113,027.51	111,218.68
Other income	29	1,271.00	988.86
Total income		**114,298.51**	**112,207.54**
Expenses			
Cost of materials consumed	30	75,845.11	70,193.63
Changes in inventories of work-in-progress and finished goods	31	(729.39)	(332.12)
Employee benefits expense	32	16,295.75	16,371.91
Finance costs	33	1,626.29	1,391.67
Depreciation and amortisation expenses	34	8,950.93	7,318.64
Other expenses	35	17,648.13	16,777.30
Total expenses		**119,636.82**	**111,721.03**
Profit/(loss) before share of net profit/(loss) of investments accounted for using equity method, tax and exceptional items		**(5,338.31)**	**486.51**
Share of net profit/(loss) of investments accounted for using the equity method		356.28	(91.65)
Profit/(loss) before tax and exceptional items		**(4,982.03)**	**394.86**
Income tax expense			
Current tax		614.64	490.75
Short/(excess) provision in respect of earlier period		(180.25)	(146.49)
Net current tax		**434.39**	**344.26**
Deferred tax		(207.77)	25.54
Tax expense		**226.62**	**369.80**
Profit/ (loss) for the period before exceptional items		**(5,208.65)**	**25.06**
Exceptional item - Tax Expense	53	1,077.76	-
Profit/(loss) for the period		**(6,286.41)**	**25.06**
Other comprehensive income			
Items that will be reclassified to profit or loss in subsequent periods			
Deferred hedging gains/(losses) on cash flow hedges (net of tax of ₹ Nil (previous year ₹7.90 million)		-	21.72
Exchange differences in translating the financial statements of foreign operations		(355.68)	786.92
		(355.68)	**808.64**
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement of defined benefit obligation (net of tax of ₹41.14 million, (previous year ₹151.62 million)		51.90	(207.15)
Other comprehensive income for the period		**(303.78)**	**601.49**
Total comprehensive income for the period		**(6,590.19)**	**626.55**
Profit/(loss) attributable to:			
Owners		(6,319.07)	1.91
Non-controlling interests		32.66	23.15

Consolidated Statement of Profit and Loss
for the year ended March 31, 2021

(₹ in million)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Other comprehensive income attributable to:			
Owners		(303.64)	602.72
Non-controlling interests		(0.14)	(1.23)
Total comprehensive income attributable to:			
Owners		(6,622.71)	604.63
Non-controlling interests		32.52	21.92
Earnings per equity share attributable to Owners [Nominal value per share: Re 1 (Previous period: Re 1)]	49		
Basic and diluted (in Rupees)		(46.75)	0.01

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

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole Time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Consolidated Statement of Cash Flows

for the year ended March 31, 2021

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
A.	**Cash flow from operating activities**				
	Profit/(loss) before tax		**(4,982.03)**		**394.86**
	Adjustments for:				
	Depreciation and amortisation expense	8,950.93		7,318.64	
	Net loss/(gain) on disposal of property, plant and equipment	(230.02)		210.44	
	Excess of insurance proceed over book value	(364.72)		-	
	Provision for doubtful debts and advances	84.27		174.93	
	Finance costs	1,626.29		1,391.67	
	Gain on sale of current investments	(1.38)		(11.37)	
	Share in (profit)/loss of Joint Venture accounted for using the equity method	(356.28)		91.65	
	Liabilities no longer required written back	(39.25)		(20.68)	
	Other non-cash income	(23.83)		(27.65)	
	Government grants	(313.45)		(227.52)	
	Interest income	(16.29)	**9,316.27**	(21.89)	**8,878.22**
	Operating profits before working capital changes		**4,334.24**		**9,273.08**
	Adjustments for changes in:				
	Inventories	(1,248.40)		(1,695.05)	
	Trade receivables	(5,322.54)		2,969.57	
	Other Assets	1,591.15		2,470.99	
	Trade payables	5,907.37		2,345.40	
	Other liabilities and provisions	(327.24)	**600.34**	55.35	**6,146.26**
	Cash generated from operations		**4,934.58**		**15,419.34**
	Taxes paid (net of refund)		(197.50)		(1,282.46)
	Net cash flow from operating activities		**4,737.08**		**14,136.88**
B.	**Cash flow from investing activities**				
	Dividend received	-		265.61	
	Interest received	16.23		21.80	
	Government grant received during the period	326.07		384.01	
	Rent received on investment properties	-		17.61	
	(Purchase)/proceeds from sale of current investments (net)	41.61		157.55	
	Acquisition of remaining equity stake in joint venture	(78.59)		(25.51)	
	Acquisition of business	-		(188.55)	
	Investment in Joint Venture	-		(99.67)	
	Proceeds from sale of property, plant and equipment	474.40		(3.96)	
	Purchase of property, plant and equipment	(5,610.56)		(9,773.93)	
	Costs incurred on intangible assets	(2,140.89)		(4,093.42)	
	Proceeds from insurance claim	515.32		500.00	
	Fixed deposits redeemed/(Purchased) (net)	16.86		156.38	
	Net cash used in investing activities		**(6,439.55)**		**(12,682.08)**

Consolidated Statement of Cash Flows

for the year ended March 31, 2021

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
C.	**Cash flow from financing activities**				
	Proceeds from issue of equity (net of expenses)	6,851.92		-	
	Proceeds from long-term borrowings	5,719.94		7,280.38	
	Repayment of long-term borrowing	(2,876.38)		(1,243.39)	
	Repayment of lease liability	(536.54)		(794.23)	
	Proceeds/(repayments) of short-term borrowings (net)	(9,309.73)		4,445.00	
	Dividend on equity shares including tax thereon	-		(1,151.34)	
	Interest paid	(1,370.99)		(1,205.20)	
	Net cash flow from/(used in) financing activities		**(1,521.78)**		**7,331.23**
	Net increase/ (decrease) in Cash and Cash Equivalents (A+B+C)		**(3,224.25)**		**8,786.03**
	Opening cash and cash equivalents		10,330.98		1,455.28
	Effect of exchange difference on translation of foreign currency cash and cash equivalents		307.62		89.67
	Total		**10,638.60**		**1,544.95**
	Closing cash and cash equivalents		**7,414.35**		**10,330.98**
	Cash and cash equivalents consists of				
	Cash in hand		**0.37**		**1.13**
	Bank balances				
	Current accounts and deposits with maturity of less than three months		**7,414.93**		**10,658.61**
	Bank overdraft		**(0.95)**		**(328.76)**
			7,414.35		**10,330.98**

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.

Summary of significant accounting policies 2

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole Time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Consolidated Statement of changes in Equity
for the year ended March 31, 2021

A. Equity share capital

(₹ in million)

Particulars	Equity Shares	
	March 31, 2021	March 31, 2020
Balance at the beginning of the period	**134.81**	**134.81**
Add: Equity shares issued during the year (refer note 52)	17.97	-
Balance at the end of the period	**152.79**	**134.81**

B Other equity

(₹ in million)

Particulars	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	Foreign Currency Translation Reserve	Cash flow hedge reserve			
Balance as at April 01, 2019	**13,080.80**	**4,194.73**	**325.00**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**922.06**	**(6.65)**	**30,463.20**	**241.31**	**30,704.51**
Profit for the year	1.91	-	-	-	-	-	-	-	-	1.91	23.15	25.06
Other comprehensive income	(205.91)	-	-	-	-	-	-	786.92	1.99	583.00	(1.23)	581.77
Total comprehensive income	**(204.00)**	**-**	**-**	**-**	**-**	**-**	**-**	**786.92**	**1.99**	**584.91**	**21.92**	**606.83**
Transactions with owners in their capacity of owners:												
Dividend paid (including dividend distribution tax ₹194.61 million)	(1,137.67)	-	-	-	-	-	-	-	-	(1,137.67)	(14.18)	(1,151.85)
Transferred from debenture redemption reserve on account of redemption of debentures	325.00	-	(325.00)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	0.20	0.20
Balance as at March 31, 2020	**12,064.13**	**4,194.73**	**-**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**1,708.98**	**(4.66)**	**29,910.45**	**249.24**	**30,159.69**

Consolidated Statement of changes in Equity
for the year ended March 31, 2021

(₹ in million)

Particulars	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	Foreign Currency Translation Reserve	Cash flow hedge reserve			
Balance as at April 01, 2020	**12,064.13**	**4,194.73**	**-**	**11.30**	**5,335.08**	**410.80**	**6,190.08**	**1,708.98**	**(4.66)**	**29,910.44**	**249.25**	**30,159.69**
Profit/ (Loss) for the year	(6,319.07)	-	-	-	-	-	-	-	-	(6,319.07)	32.66	(6,286.41)
Other comprehensive income	52.04	-	-	-	-	-	-	(355.68)	4.66	(298.98)	(0.14)	(299.12)
Total comprehensive income	**(6,267.03)**	**-**	**-**	**-**	**-**	**-**	**-**	**(355.68)**	**4.66**	**(6,618.05)**	**32.52**	**(6,585.53)**
Securities premium received on issue of equity shares (refer note 52)	-	-	-	-	-	-	6,974.25	-	-	6,974.25	-	6,974.25
Utilised for expenses in connection with issue of equity shares	-	-	-	-	-	-	(140.30)	-	-	(140.30)	-	(140.30)
Balance as at March 31, 2021	**5,797.10**	**4,194.73**	**-**	**11.30**	**5,335.08**	**410.80**	**13,024.03**	**1,353.30**	**-**	**30,126.34**	**281.77**	**30,408.11**

The accompanying notes are an integral part of these consolidated financial statements

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole Time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

1. Corporate information

Varroc Engineering Limited (the "Company") is engaged in the business of manufacturing of Automobile components. The Company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the Company is located at L-4, M.I.D.C Area, Waluj, Aurangabad-431 136.

The Company and its subsidiaries (collectively, the Group) are 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 centres across 4 continents and 14 countries spread across the globe.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of directors on June 04, 2021.

2. 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 consolidated financial statements comprise financial statements of the Company, its subsidiaries and its jointly controlled entities.

a) Basis of preparation

(i) The consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable to the CFS. All amounts included in these Consolidated Financial Statements are reported in million of Indian National Rupees (₹ in million) except earning per share data and unless stated otherwise. All amounts in these Consolidated Financial Statements have been rounded off to the nearest million or decimal thereof unless otherwise stated.

(ii) Use of estimates and assumptions

The preparation of the Consolidated Financial Statements requires the management to make certain judgement s, estimates and assumptions. 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 consolidated financial statements are disclosed in Note 2A.

(iii) Historical cost convention:

The Consolidated 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.

(iv) 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.

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 March 31, 2021.

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 March 31. 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 unrealised gains on transactions between group companies are eliminated. Unrealised 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.

(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 recognised 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 are incorporated in the financial statements under the appropriate headings.

(iii) Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise 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

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised 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 2(b).

(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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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.

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.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised in OCI or profit or loss are also recognised 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 recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation on or after April 01, 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 (April 01, 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 from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Amounts disclosed as revenue are net of goods and service tax (GST).

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2A.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 120 days upon delivery.

Product development/Engineering services primarily pertaining to global automotive lighting business are considered as relating to sale of parts rather than a separate performance obligation. As a result, revenue from product development/engineering services is recognised over the period of production from the start of production date and is included in the revenue from sale of finished goods.

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

Variable consideration
If the consideration in a contract includes a variable amount (like volume rebates/incentives, cash discounts etc.), the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The estimate of variable consideration for expected future volume rebates/incentives, cash discounts etc. are made on the most likely amount method. Revenue is disclosed net of such amounts.

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

Warranty obligations
The Company typically provides warranties for general repairs of defects as per terms of the contract with customers. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section(t) provisions

Customer prepayments are amortised in Revenue over the life of the respective project.

Sale of services
Income from services is recognised on the basis of time/work completed as per contract with the customers. The Group collects taxes on services (where applicable) on behalf of the government and, therefore, they are not economic benefits flowing to the Group. Hence, they are excluded from revenue.

Tooling Revenue
Development of toolings for customers is considered as a separate performance obligation. Revenue from toolings primarily pertaining to global automotive lighting business is recognised over time based on the progress towards complete satisfaction of that performance obligation. Such progress is measured based on the proportion that the aggregate costs incurred for work done till the balance sheet date bear to the estimated total costs.

Determination of toolings revenues to be recognised over time 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 and the foreseeable losses to completion.

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.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Contract balances
Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policy (l) Financial instruments – Financial assets at amortised cost.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

Refund liabilities
A refund liability is the obligation to refund some or all the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

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

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

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 recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised 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 recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognises MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

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

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

All other acquired tax benefits realised are recognised in profit or loss.

Sales/value added taxes paid on acquisition of assets or on incurring expenses-
Expenses and assets are recognised 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 recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;

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

g) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

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

(i) Right of use of asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building: 3 to 25 years
- Plant and machinery: 3 to 15 years
- Motor vehicles and other equipment: 3 to 5 years

The property, plant and equipment acauired 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.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 recognised 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 recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised 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 recognised 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 recognised 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 recognised 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 recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises 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 recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised 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 non-financial assets

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared 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 recognised 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 recognised. 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) 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, Stores and spare-parts, Loose tools and Packing 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.

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

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

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

l) Financial instruments

Financial Assets

Initial Recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, 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 amortised cost

- Debt instruments at fair value through other comprehensive income (FVTOCI)

- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

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

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

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

Debt instrument at FVTOCI

A 'debt instrument' is classified as at 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 recognised in the other comprehensive income (OCI). However, the Group recognises 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 recognised 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 categorisation as at amortised cost or as FVTOCI is classified as FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortised 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 recognised 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 recognised 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 recognised 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 recognised 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 derecognised (i.e. removed from the Group's balance sheet) when:

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

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

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

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

Impairment of financial assets

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

(a) Financial assets that are debt instruments, and are measured at amortised cost e.g. loans, debt securities, deposits, trade receivables and bank balance

(b) Financial assets that are debt instruments and are measured at FVTOCI

(c) Lease receivables

(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 115

(e) Loan commitments which are not measured as at FVTPL

(f) Financial guarantee contracts which are not measured as at FVTPL

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

- Trade receivables or contract assets; and
- Lease receivables

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

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

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

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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 analysed.

ECL impairment loss allowance (or reversal) recognised during the period is recognised 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 amortised 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 recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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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 recognised 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 recognised 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 recognised in the statement of profit or loss. The Group has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit 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 recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per the impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Derecognition

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

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- 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 recognised gains, losses (including impairment gains or losses) or interest.

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

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

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m) 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 recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously.

n) Fair value measurement

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

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

o) 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 recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised 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 recognised asset or liability or an unrecognised 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 recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised 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:

Cash flow hedges that qualify for hedge accounting

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised 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 recognised in finance costs

Amounts recognised 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 recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

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

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

p) 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.

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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.

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).

Capital work-in-progress is stated at cost, net of accumulated impairment loss, if any.
The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

q) 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.

r) Intangible assets

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

(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.

(ii) Computer software

Costs associated with maintaining software programmemes are recognised as an expense as incurred.

Separately acquired software are shown at transaction cost, software acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation. Computer software are amortised on a straight-line basis over a period of 3 to 5 years.

(iii) Research and development

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

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

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. During the period of development, the asset is tested for impairment annually.

Capitalised development expenditure is amortised on a straight line basis from the start of production over a period of 3 years or project life whichever is lower.

(iv) Technical knowhow fees

Expenditure on acquiring Technical Know-how (including Income Tax and R & D Cess) is capitalised and amortised on a straight line basis over a period of six years.

(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. Customer relationships are amortised on a straight line basis over a period of 10-12 years.

(vi) Patents and others

Costs of intangible assets other than those internally generated, including patents and licenses, are valued at acquisition cost and amortised on a straight-line basis over their estimated future useful lives being 10 years.

s) 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.

t) Provisions

General

Provisions are recognised 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

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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 recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit 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 recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised 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 recognised 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 recognises any impairment loss on the assets associated with that contract.

Contingent liabilities recognised in a business combination

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

u) 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 recognised 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 an employee renders the related service. 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.

v) 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.

w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent 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.

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(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 authorisation for issue of the Consolidated Financial Statements by the Board of Directors.

x) 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.

y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ('CODM'). The CODM is responsible for allocating resources and assessing performance of the operating segments.

2.1 Changes in accounting policies and disclosures

New and amended standards

(i) Amendments to Ind AS 116: COVID-19 Related Rent Concessions.

(ii) Amendments to Ind AS 103 Business Combinations

(iii) Amendments to Ind AS 1 and Ind AS 8: Definition of Material

(iv) Amendments to Ind AS 107 and Ind AS 109: Interest Rate Benchmark Reform

These amendments are applicable for annual periods beginning on or after the April 01, 2020. These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

Note 2A: Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgement s, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

1. Revenue from contracts with customers

The Group provides product development/ engineering services to its customers. Under Ind AS 115, the group has determined that such services generally do not constitute a separate performance obligation under the contracts with customers but are part of the performance obligation of the group to supply finished goods to the customer. Accordingly, under Ind AS 115, revenue from product development/engineering services is recognised over the period of production from the start of production (SOP) date. Payments received from customers in respect of such services before SOP date are considered as contract liability. Further, the group has determined that the costs incurred in respect of product development/engineering services are eligible to be capitalised as intangible assets and accordingly such costs have been presented as 'Capitalised development expenditure' under Intangible assets (also refer note 4.1).

Development of toolings for the customers has been identified by the group to be a separate performance obligation. Further, the group has determined that the performance obligation in respect of development of toolings primarily pertaining to global automotive lighting business is generally satisfied over time. For other tooling contracts, the performance obligation is satisfied at a point in time or over time based on the specific terms of the contract.

2. Non-recognition of deferred tax liability on undistributed profits of subsidiaries

Certain subsidiaries and joint ventures of the group have undistributed retained earnings amounting to ₹4,484.45million (March 31, 2020: ₹11,691.25 million), which if distributed out as dividend would result in tax liability of group. Keeping in view that, no profit is proposed to be distributed in the immediate future by way of dividend out of such undistributed retained earnings, no deferred tax liability has been recognised

3. Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has certain lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

4. De-recognition of trade receivables under factoring arrangements

The Group enters into non-recourse factoring arrangements for its trade receivables with various banks/financial institutions. The Group derecognises the receivables from its books if it transfers substantially all the risks and rewards of ownership of the financial asset (i.e. receivables). The assessment of de-recognition of trade receivables under the factoring arrangements is complex and requires judgement.

Estimates and assumptions

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

The group tests whether goodwill has suffered any impairment atleast on an annual basis irrespective of whether there is any indication of impairment. The recoverable amount of a cash generating unit (CGU) to which goodwill balance is allocated 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

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operates.The key assumptions used to determine the recoverable amounts for the CGUs which have Goodwill amounts which are significant in comparison to the total carrying amount of goodwill, including a sensitivity analysis, are disclosed and further explained in Note 4.2.

2. **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 is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds/high quality corporate bonds (as applicable) 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 country. Further details about defined benefit plans are given in Note 40.

3. **Deferred taxes**
Deferred tax assets are recognised 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 realisation of future tax benefits is sufficiently probable to recognise/carry forward deferred tax assets (including MAT credit). 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. Refer note 21 for details.

4. **Recognition of tooling revenue over time**
In respect of tooling contracts where revenue is recognised over time, the measurement of progress towards completion requires the group to estimate the services performed to date as a proportion of the total services to be performed which is based on the proportion of actual costs incurred to total estimated costs. Such estimates are continually evaluated. They 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.

5. **Leases-Estimating the incremental borrowing rate**
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

6. **Provision for warranty**
Warranties are provided for a specified period of time. Warranty obligations vary depending upon the type of the product, geographical location of its sale and other factors. The estimated liability for warranties is recorded when the products are sold. These estimates are established using historical information on the nature, frequency and average cost of warranty claims and estimates regarding possible future incidence based on actions on product failures. Determination of warranty liability is based on the estimated frequency and amount of future claims, which are inherently uncertain. Actual claims incurred in the future may differ from our original estimates, which may materially affect warranty expenses.

7. **Impairment of Intangible assets under development relating to Engineering, design and development**
Intangible assets relating to Engineering, design and development costs (ED&D) are amortised from the start of production of underlying parts over the programmeme life. ED&D-related intangible assets which are not being amortised yet, are tested for impairment on an annual basis and whenever there is an indication of impairment risk. Management estimates and assumptions are involved in identifying the CGU to which such intangible assets can be allocated for impairment testing and in respect of the inputs to the impairment testing model including revenue forecasts and EBITDA margins during explicit forecast period of 5 years, growth rate and EBITDA margins for terminal period, discount rates, etc.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Note 3.1: Property, plant and equipment

(₹ in million)

Particulars	Gross carrying amount							Accumulated depreciation						Net Carrying amount	
Asset Class	As at April 01, 2020	Business combination (refer note 56a)	Additions	Transferred from ROU (refer note 3.2)	Translation adjustment	Deductions/ adjustments	As at March 31, 2021	As at April 01, 2020	Depreciation for the period	Translation adjustment	On Deductions/ adjustments	Transferred from ROU (refer note 3.2)	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Owned assets															
Freehold Land	1,047.51	-	-	-	(3.18)	(112.35)	931.98	-	-	-	-	-	-	931.98	1,047.51
Factory Building	9,115.42	1.80	156.78	-	113.94	(4.55)	9,383.39	1,142.97	392.14	13.94	(0.02)	-	1,549.03	7,834.36	7,972.45
Office Building	1,168.59	-	49.39	-	2.92	-	1,220.90	133.71	29.80	(0.66)	-	-	162.85	1,058.05	1,034.88
Plant & Machinery*	32,204.37	198.66	3,867.06	337.05	1,599.72	(272.67)	37,934.19	9,670.54	3,476.32	1,245.90	(260.13)	114.45	14,247.08	23,687.11	22,533.83
Factory Equipment	2,920.58	-	254.57	-	23.88	(67.40)	3,131.63	1,187.02	327.89	7.12	(19.83)	-	1,502.20	1,629.43	1,733.56
Electrical Installation	560.85	-	15.16	-	0.07	(0.35)	575.73	238.88	52.70	0.04	(0.17)	-	291.45	284.28	321.97
Mould & Dies	841.64	-	66.82	-	5.15	(52.33)	861.28	464.08	104.01	2.27	(50.59)	-	519.77	341.51	377.56
Electrical Fitting	103.39	-	1.88	-	-	-	105.27	42.11	10.35	-	-	-	52.46	52.81	61.28
Office Equipment	229.49	0.26	23.93	-	1.63	(3.58)	251.73	136.18	26.70	5.10	(3.58)	-	164.40	87.33	93.31
Tools & Instrument	1,939.59	-	447.29	-	34.47	(13.25)	2,408.10	1,296.45	331.24	50.57	(12.61)	-	1,665.65	742.45	643.14
Furniture and fixtures	402.53	1.17	122.70	-	(14.34)	(1.72)	510.34	181.14	66.41	(6.66)	(1.72)	-	239.17	271.17	221.39
Computers	996.01	2.74	168.71	-	6.30	(15.93)	1,157.83	598.99	212.25	5.29	(15.93)	-	800.60	357.23	397.02
Vehicles	317.31	-	4.21	-	11.24	(7.20)	325.56	58.05	17.80	4.32	(7.19)	-	72.98	252.58	259.26
Grand Total	**51,847.28**	**204.63**	**5,178.50**	**337.05**	**1,781.80**	**(551.33)**	**58,797.93**	**15,150.12**	**5,047.61**	**1,327.23**	**(371.77)**	**114.45**	**21,267.64**	**37,530.29**	**36,697.16**

* Additions include finance cost capitalised during the period is ₹3.47 million (March 31, 2020: ₹20.07 million)

(i) Capital work-in-progress	(₹ in million)
Opening capital work-in-progress	3,975.92
Addition during the year ended March 31, 2021	6,139.36
Capitalised during the year ended March 31, 2021	5,178.50
Closing capital work-in-progress	**4,936.78**

Closing CWIP primarily includes assets relating to plants under construction/expansion.

(ii) Contractual obligations
Refer to note 48 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iii) Office Building includes premises on ownership basis in a Co-operative Society ₹6.30 million, including cost of shares therein ₹125.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Note 3.1: Property, plant and equipment

(₹ in million)

Particulars	Gross carrying amount							Accumulated depreciation						Net Carrying amount	
Asset Class	As at April 01, 2019	Business combination (Refer Note 56b)	Additions	Transferred to ROU (refer note 3.2)	Translation adjustment	Deductions/ adjustments ##	As at March 31, 2020	As at April 01, 2019	Depreciation for the year	Transferred to ROU (refer note 3.2)	Translation adjustment	On Deductions/ adjustments ##	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Owned assets															
Freehold Land	980.71	-	23.99	-	42.81	-	1,047.51	-	-	-	-	-	-	1,047.51	980.71
Factory Building	7,210.62	-	1,707.18	-	297.92	(100.30)	9,115.42	820.72	323.06	-	18.81	(19.62)	1,142.97	7,972.45	6,389.90
Office Building	1,108.35	-	46.65	-	13.59	-	1,168.59	105.11	24.59	-	4.01	-	133.71	1,034.88	1,003.24
Plant & Machinery *	23,170.54	0.10	9,482.18	-	1,089.16	(1,537.61)	32,204.37	7,434.01	2,817.84	-	303.48	(884.79)	9,670.54	22,533.83	15,736.53
Factory Equipment	2,563.51	-	406.37	-	51.53	(100.83)	2,920.58	962.80	300.98	-	19.27	(96.03)	1,187.02	1,733.56	1,600.71
Electrical Installation	462.52	-	98.26	-	0.29	(0.22)	560.85	190.44	48.52	-	0.14	(0.22)	238.88	321.97	272.08
Mould & Dies	751.60	-	98.24	-	3.69	(11.89)	841.64	355.64	112.09	-	2.13	(5.78)	464.08	377.56	395.96
Electrical Fitting	65.15	-	38.27	-	-	(0.03)	103.39	33.05	9.09	-	-	(0.03)	42.11	61.28	32.10
Office Equipment	188.16	0.06	41.22	-	3.28	(3.23)	229.49	112.88	23.01	-	2.09	(1.80)	136.18	93.31	75.28
Tools & Instrument	1,467.42	-	403.63	-	92.77	(24.23)	1,939.59	979.86	277.47	-	63.30	(24.18)	1,296.45	643.14	487.56
Furniture and fixtures	377.41	0.17	55.46	-	-	(30.51)	402.53	141.30	48.73	-	-	(8.89)	181.14	221.39	236.11
Computers	792.20	0.09	195.17	-	41.28	(32.73)	996.01	396.85	206.26	-	23.21	(27.33)	598.99	397.02	395.35
Vehicles	90.00	-	223.16	-	7.93	(3.78)	317.31	45.81	16.80	-	0.51	(5.07)	58.05	259.26	44.19
Leased assets				-						-					
Leasehold Land	850.60	-	-	(850.60)	-	-	-	76.65	-	(76.65)	-	-	-	-	773.95
Buildings	716.98	-	-	(716.98)	-	-	-	295.56	-	(295.56)	-	-	-	-	421.42
Plant & Machinery	398.19	-	-	(398.19)	-	-	-	111.22	-	(111.22)	-	-	-	-	286.97
Office Equipment	12.22	-	-	(12.22)	-	-	-	7.13	-	(7.13)	-	-	-	-	5.09
Grand Total	**41,206.18**	**0.42**	**12,819.78**	**(1,977.99)**	**1,644.25**	**(1,845.36)**	**51,847.28**	**12,069.03**	**4,208.44**	**(490.56)**	**436.95**	**(1,073.74)**	**15,150.12**	**36,697.16**	**29,137.15**

* Additions include finance cost capitalised amounting to ₹20.07 million (March 31, 2019: Nil).

Deductions include following amount of property, plant and equipments pertaining to group's automotive lighting plant in Pune which was completely destroyed by fire on February 18, 2020. These amounts have been written off and corresponding insurance claim receivable has been recognised as at March 31, 2020. During the current year; insurance claim has been settled. Refer note 36.

Notes to the Consolidated Financial Statements
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(₹ in million)

Particulars	As at February 18, 2020		
	Gross carrying amount	Accumulated depreciation	Net Carrying amount
Factory buildings	74.17	12.59	61.58
Plant and machinery	821.35	327.96	493.39
Computers	13.46	8.16	5.30
Vehicles	0.72	0.72	-
Furniture and fixtures	17.59	8.58	9.01
Office equipments	2.04	1.27	0.77
Total	**929.33**	**359.28**	**570.05**

(i) Capital work-in-progress	(₹ in million)
Opening capital work-in-progress	6,662.80
Add: Acquired through business combination	0.42
Addition during the year ended March 31, 2020	10,132.47
Capitalised during the year ended March 31, 2020	12,819.78
Closing capital work-in -progress	**3,975.92**

Closing CWIP primarily includes assets relating to plants under construction/expansion.

(ii) Contractual obligations
Refer to note 48 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iii) Office Building includes premises on ownership basis in a Co-Operative Society ₹6.30 million, including cost of shares therein ₹125.

Note 3.2: Leases

(i) Amounts recognised in consolidated balance sheet

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

(₹ in million)

Particulars	Land and building	Plant and machinery	Vehicles	Other equipments	Total
Balance as at April 01, 2019	**5,813.07**	**193.63**	**172.96**	**231.44**	**6,411.10**
Add: Additions during the year	1,952.33	305.48	43.89	-	2,301.70
Less: Deletion during the year	(62.86)	-	-	-	(62.86)
Less: Depreciation for the year*	(575.48)	(67.09)	(61.77)	(22.34)	(726.68)
Add/(Less): Effect of change in exchange rate	321.26	14.16	9.45	14.30	359.17
Balance as at March 31, 2020	**7,448.32**	**446.18**	**164.52**	**223.40**	**8,282.42**

* Includes amount of ₹25.40 million capitalised to property plant and equipment during construction period in accordance with Ind AS 16.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

(₹ in million)

Particulars	Land and building	Plant and machinery	Vehicles	Other equipments	Total
Balance as at April 01, 2020	**7,448.32**	**446.18**	**164.52**	**223.40**	**8,282.42**
Add: Additions during the year	409.03	-	10.15	-	419.18
Less: Deletion during the year	(152.79)	(75.41)	(13.73)	(0.22)	(242.15)
Less: Transferred to property, plant and equipment (refer note 3.1)	-	-	-	(222.60)	(222.60)
Less: Depreciation for the year	(702.01)	(86.62)	(61.49)	(14.30)	(864.42)
Add/(Less): Effect of change in exchange rate	198.19	14.18	6.49	13.91	232.77
Balance as at March 31, 2021	**7,200.74**	**298.33**	**105.94**	**0.19**	**7,605.20**

The Group has lease contracts for various items of land, building, plant, machinery, vehicles and other equipment used in its operations. Leases of land and building generally have lease terms between 3 and 25 years, leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below:

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(b) Set out below are the carrying amounts of lease liabilities and the movements during the period

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening Balance	7,126.12	5,144.18
Add: Additions during the year	419.18	2,272.61
Add: Accretion of interest #	205.45	175.29
Less: Payments during the year	(960.97)	(795.12)
Less: Disposal of contracts	(24.16)	-
Add/(less): Effect of change in exchange rates	200.97	329.16
Closing Balance	**6,966.59**	**7,126.12**
Presented as -		
Current	774.49	603.97
Non-current	6,192.10	6,522.15
Total closing lease liability	**6,966.59**	**7,126.12**

\# Includes amount of ₹ Nil (March 31, 2020: ₹7.88 million) capitalised to property plant and equipment during construction period in accordance with Ind AS 16.

Lease liabilities carry interest rate ranging from 1.6% to 25.5% (from 1.6% to 25.5% for previous year) depending upon the applicable interest rate in respective location. Maturity profile of lease liabilities is disclosed in Note 42.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(ii) Amounts recognised in consolidated statement of profit and loss account

The statement of profit or loss shows the following amounts relating to leases:

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation expense of right-of-use assets	864.42	701.28
Interest expense on lease liabilities	205.45	165.07
Amounts included in Rent expense		
Expense relating to short-term leases	143.91	37.58
Expense relating to leases of low-value assets	162.28	206.30
Total amount recognised in consolidated statement of profit and loss	**1,376.06**	**1,110.23**

The Group had total cash outflows for leases of ₹1,267.16 million for the year ended March 31, 2021 (previous year ₹1,039.00 million). The future cash outflows relating to leases that have not yet commenced are Nil.

(iii) Extension and termination options

The Group has certain lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

(₹ in million)

Particulars	Within five years	More than five years	As at March 31, 2021
Extension options expected not to be exercised	115.90	267.44	383.34
Termination options expected to be exercised	-	-	-
	115.90	**267.44**	**383.34**

(₹ in million)

Particulars	Within five years	More than five years	As at March 31, 2020
Extension options expected not to be exercised	150.26	153.45	303.71
Termination options expected to be exercised	21.80	-	21.80
	172.06	**153.45**	**325.51**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 4.1: Other Intangible Assets

(₹ in million)

Particulars	Gross carrying amount						Accumulated Amortisation					Net Carrying amount	
Asset Class	As at April 01, 2020	Business Combination (refer note 56a)	Additions	Translation adjustment	Deductions/ adjustments	As at March 31, 2021	As at April 01, 2020	Amortisation for the period	Translation adjustment	Deductions/ adjustments	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Computer software	2,197.82	13.23	104.93	133.23	(25.84)	2,423.37	1,623.29	306.32	140.12	(18.38)	2,051.35	372.02	574.53
Technical know how fees	1,042.02	-	4.26	30.13	-	1,076.41	471.44	110.59	17.37	-	599.40	477.01	570.58
Customer relationship	803.15		122.80	(137.07)	-	788.88	117.31	88.71	(5.89)	-	200.13	588.75	685.84
Patents and others	142.48		0.01	(3.83)	-	138.66	27.68	25.59	-	-	53.27	85.39	114.80
Non-compete fees	74.00	-	-	(10.88)	-	63.12	8.13	9.24	(5.61)	-	11.76	51.36	65.87
Capitalised development costs	6,482.21		2,489.98	339.15	(2,456.18)	6,855.16	2,653.08	2,498.45	250.13	(2,398.83)	3,002.83	3,852.33	3,829.13
Grand Total	**10,741.68**	**13.23**	**2,721.98**	**350.73**	**(2,482.02)**	**11,345.60**	**4,900.93**	**3,038.90**	**396.12**	**(2,417.21)**	**5,918.74**	**5,426.86**	**5,840.75**

Intangible assets under development	(₹ in million)
Opening balance as at April 01, 2020	3,925.40
Addition during the year ended March 31, 2021	2,422.06
Capitalised during the year ended March 31, 2021	2,721.98
Closing balance as at March 31, 2021	**3,625.48**

Intangible assets under development mainly pertain to capitalised development costs.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Note 4.1: Other Intangible Assets

(₹ in million)

Particulars	Gross carrying amount						Accumulated Amortisation					Net Carrying amount	
Asset Class	As at April 01, 2019	Business Combination (refer note 56b)	Additions	Translation adjustment	Deductions/ adjustments	As at March 31, 2020	As at April 01, 2019	Amortisation for the period	Translation adjustment	Deductions/ adjustments	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer software	1,819.23	0.07	290.52	122.03	(34.03)	2,197.82	1,251.61	312.16	92.88	(33.36)	1,623.29	574.53	567.62
Technical know how fees	578.14	96.00	335.21	32.67	-	1,042.02	334.48	113.94	23.02	-	471.44	570.58	243.66
Customer relationship	850.72	8.30	-	(55.87)	-	803.15	56.68	83.64	(5.57)	(17.44)	117.31	685.84	794.04
Patents and others	94.12	49.10	-	(0.74)	-	142.48	54.99	13.69	3.34	(44.34)	27.68	114.80	39.13
Non-compete fees	-	-	74.00	-		74.00	-	8.13	-	-	8.13	65.87	-
Capitalised development cost	4,435.02	-	2,871.01	345.29	(1,169.11)	6,482.21	1,745.33	1,871.49	139.32	(1,103.06)	2,653.08	3,829.13	2,689.69
Grand Total	**7,777.23**	**153.47**	**3,570.74**	**443.38**	**(1,203.14)**	**10,741.68**	**3,443.09**	**2,403.05**	**252.99**	**(1,198.20)**	**4,900.93**	**5,840.75**	**4,334.14**

Intangible assets under development	(₹ in million)
Opening balance as at April 01, 2019	3,331.90
Addition during the year ended March 31, 2020	4,164.24
Capitalised during the year ended March 31, 2020	3,570.74
Closing balance as at March 31, 2020	**3,925.40**

Intangible assets under development mainly pertain to capitalised development costs

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Note 4.2: Goodwill

Goodwill acquired through business combinations has been allocated to the CGUs below, which are part of automotive segment, for impairment testing:

- Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim €irketi. ('VLS Turkey')
- Team Concepts Private limited ('TCPL')
- Others

Carrying amount of goodwill allocated to each of the CGUs:

As at March 31, 2021

(₹ in million)

Particulars	VLS Turkey	TCPL	Others *	Total
Balance at the beginning of the year	1,520.16	183.90	304.92	2,008.98
Add: Acquisitions during the year (refer note 56 a)	-	-	84.16	84.16
Add/(less): Translation adjustment	(347.67)		(1.97)	(349.64)
Balance at the end of the year	**1,172.49**	**183.90**	**387.12**	**1,743.50**

As at March 31, 2020

(₹ in million)

Particulars	VLS Turkey	TCPL	Others *	Total
Balance at the beginning of the year	1,657.81	183.90	150.82	1,992.53
Add: Acquisitions during the year (refer note 56 b)	-	-	154.10	154.10
Add/(less): Translation adjustment	(137.65)	-	-	(137.65)
Balance at the end of the year	**1,520.16**	**183.90**	**304.92**	**2,008.98**

The Group performed its annual impairment test for years ended March 2021 and March 2020 on March 31, 2021 and March 31, 2020 respectively. The Group considers the relationship between the fair value (based on DCF) of each CGU and its book value, among other factors, when reviewing for indicators of impairment

The recoverable amounts of each of the CGU, have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. As a result of the analysis, management did not identify impairment.

Key assumptions used for value in use calculations and the sensitivity to changes in these assumptions for CGUs which have Goodwill amounts which are significant in comparison to the total carrying amount of goodwill are as follows:

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

CGU	Basis	March 31, 2021		March 31, 2020	
		Assumption used	Sensitivity	Assumption used	Sensitivity
VLS Turkey (Recoverable amount in excess of carrying amount of the CGU is ₹2,054 million)	WACC	11.74%	Increase by 3.32% would result in impairment	11.33%	Increase by 3.97% would result in impairment
	Growth rate	For first 5 years: 0% to 41.1% Terminal Growth rate: 2.0%	Decrease by 5.2% would result in impairment	For first 5 years: 0% to 18.3% Terminal Growth rate: 1.6%	Decrease by 4.16% would result in impairment
	EBITDA Margin	For first 5 years: 9.3% to 14.4%	Decrease by 9.77% would result in impairment	For first 5 years: 7.5% to 14.4%	Decrease by 5.48% would result in impairment
	Terminal EBITDA	14.40%	Decrease by 5.02% would result in impairment	13.30%	Decrease by 1.82% would result in impairment
TCPL (Recoverable amount in excess of carrying amount of the CGU is ₹578 million)	WACC	14.40%	Increase by 5.84% would result in impairment	14.25%	Increase by 6.44% would result in impairment
	Terminal Growth rate	5%	Decrease by 8.35% would result in impairment	5.00%	Decrease by 6.19% would result in impairment

* These pertain to Goodwill amounts in various CGUs which are individually not significant. Reasonable change in key assumptions does not result in the carrying amount exceeding the recoverable amounts as at March 31, 2021

Note 5: Non-current investments

(₹ in million)

Particulars	Face value per share	Number of Shares		As at March 31, 2021	As at March 31, 2020
		As at March 31, 2021	As at March 31, 2020		
Investment in equity instruments at FVPL (unquoted)					
The Saraswat Co-operative Bank Limited	₹10.00	13,500	13,500	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**

Note 6: Non-current-Loans

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Security deposits (considered good)	170.64	103.87
Loans to related party (Refer note 47)	-	57.02
Total non-current loans	**170.64**	**160.89**

Note 7: Non-current-Other financial assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Bank deposits with maturity of more than 12 months from balance sheet date [lien with bank is ₹60.32 million (March 31, 2020: ₹88.22 million)]	60.32	88.22
Surrender value of keyman insurance receivable	143.91	120.08
Others	29.00	23.63
Total non-current other financial assets	**233.23**	**231.93**

Note 8: Other non-current assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Capital advances	321.96	109.48
Provision for capital advance	(2.65)	(2.49)
	319.31	**106.99**
Contract assets	240.05	35.57
Advance to suppliers	-	24.17
Government grant receivable	547.66	394.95
Prepaid expenses	-	4.50
Balances with Government Authorities	131.04	2.37
Customer prepayments	668.43	795.92
Others	60.84	8.95
Total other non-current assets	**1,967.33**	**1,373.42**

Note 9: Inventories

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Raw materials [Includes material in transit of ₹319.15 million (March 31, 2020: ₹216.63 million)]	6,638.60	5,824.67
Work-in-progress	2,731.42	2,111.56
Finished goods [Includes finished goods in transit of ₹398.02 million (March 31, 2020: ₹281.01 million)]	1,950.02	1,840.48
Stores and spares [Includes stores and spares in transit of ₹3.36 million (March 31, 2020: ₹1.61 million)]	589.53	511.67
Loose tools [Includes loose tools in transit of ₹ Nil million (March 31, 2020: ₹0.01 million)]	579.75	426.14
Packing material [Includes packing material in transit of ₹0.29 million (March 31, 2020: ₹0.01 million)]	75.24	43.63
Total inventories	**12,564.56**	**10,758.15**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 10: Current investment

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Investment in mutual funds (valued at fair value through profit or loss) (quoted)		
Nippon India Liquid Fund-Growth Plan- Growth Option (March 31, 2021: Nil Units, March 31, 2020: 2,073.026 Units)	-	10.00
SBI Magnum Growth Fund (March 31 2021: Nil Units, March 31 2020: 4,229.131 Units)	-	18.81
Nippon India Monthly Interval Fund-Series II-Direct Growth Plan Growth Option (IMAGG) (March 31, 2021: Nil Units, March 31 2020: 4,34,453.94 units)	-	11.42
Aggregate fair value of quoted investment	**-**	**40.23**

Note 11: Trade receivables

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Current		
Trade receivables	16,304.65	10,928.39
Receivable from related parties (refer note 47)	312.67	83.81
Less: Allowances for doubtful debts	(209.94)	(118.86)
Total	**16,407.38**	**10,893.34**
Break-up of trade receivables		
Unsecured, considered good	16,407.38	10,893.34
Trade Receivables credit impaired	209.94	118.86
Total	**16,617.32**	**11,012.20**
Less: Impairment allowance (allowance for doubtful debts)	(209.94)	(118.86)
Total	**16,407.38**	**10,893.34**
Non-current portion	-	-
Current portion	**16,407.38**	**10,893.34**
Credit period		
Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.		
No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.		
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 23)	**328.97**	**680.08**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 12 (a): Cash and cash equivalents

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash in hand	0.37	1.13
Bank balances		
- in current accounts	7,414.93	10,505.14
Deposit with maturity of less than three months	-	153.47
Total Cash and cash equivalents	**7,415.30**	**10,659.74**
There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior period.		

Note 12 (b): Other bank balances

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Deposits with original maturity more than three months but less than twelve months	37.02	27.93
Total other bank balances	**37.02**	**27.93**

Note 13: Current-Loans

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Loans to employees	8.46	7.11
Security deposit	212.94	114.51
Total Current loans	**221.40**	**121.62**

Note 14: Other financial assets (Current)

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Derivative instruments at fair value through OCI (Cash Flow Hedge)		
Foreign exchange forward contracts and cross currency interest swaps	-	19.92
Derivative instruments at fair value through Profit and Loss		
Foreign exchange forward contracts	8.51	-
Non-derivative financial assets at amortised cost		
Interest receivable other than on fixed deposits	1.30	1.24
Others	0.01	0.01
Total other current financial assets	**9.82**	**21.17**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 15: Other current assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance to suppliers	616.39	805.84
Contract assets*	2,799.91	5,004.07
Prepaid expenses	530.16	521.56
Export and other incentives	127.81	69.91
Balance with government authorities	1,289.98	1,029.73
Government grant receivable	270.42	261.13
Customer prepayments	555.17	272.93
Insurance claim receivable	64.16	815.46
Others	162.85	107.84
Total other current assets	**6,416.85**	**8,888.47**
* Pertains to revenue recognised in respect of tooling contracts		

Note 16: Share capital

(₹ in million)

Particulars	Numbers of Shares		As at March 31, 2021	As at March 31, 2020
	As at March 31, 2021	As at March 31, 2020		
Movement in authorised capital				
Authorised:				
Equity shares of ₹1 each (previous year ₹1 each)	25,00,00,000	25,00,00,000	250.00	250.00
Increase in authorised share capital on account of merger of Varroc Lighting Systems (India) Pvt. Ltd. of ₹10 each	4,50,000	-	4.50	-
Preference shares of ₹1 each (previous year ₹1 each)	25,00,00,000	25,00,00,000	250.00	250.00
			504.50	**500.00**
Issued, subscribed and paid-up:			152.79	134.81
Equity shares of ₹1 each (previous year ₹1 each) fully paid-up	15,27,86,400	13,48,11,530	**152.79**	**134.81**

(a) Movement in share capital

Particulars	Nos.	₹ in million	Nos	₹ in million
	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020	As at March 31, 2020
Movement in share capital				
Equity shares				
Outstanding at the beginning of the year	134,811,530	134.81	134,811,530	134.81
Add: Equity shares issued during the year (refer note 52)	17,974,870	17.98	-	-
Outstanding at the end of the year	**152,786,400**	**152.79**	**134,811,530**	**1,348**

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

The Company has equity shares having a par value of Re 1 per share (previous year Re 1 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.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(c) 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, 2021		As at March 31, 2020	
	Numbers of shares Face value ₹1	% of shareholding	Numbers of shares Face value ₹1	% of shareholding
Equity Shares				
Mr. Tarang Jain	60,729,800	39.75%	60,729,800	45.05%
TJ Holdings Trust	33,850,000	22.16%	33,850,000	25.11%
Naresh Chandra Holdings Trust	10,000,000	6.55%	10,000,000	7.42%
Suman Jain Holdings Trust	10,000,000	6.55%	10,000,000	7.42%
Nippon Life India Trustee Limited *	8,820,316	5.77%	-	-

* Based on legal ownership of the shares. There are multiple beneficial owners for this holding which are individually less than 5%.

(d) Aggregate number of bonus shares issued during the five years immediately preceding March 31, 2021

	No. of Shares
0.0001% Series B CCPS and Series C CCPS allotted as fully paid-up bonus shares out of 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.

Note 17: Other Equity

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Reserves and surplus		
Retained earnings		
Balance at the beginning of the year	12,064.13	13,080.80
Add: Profit/(loss) for the year	(6,319.07)	1.91
Add: Transferred from debenture redemption reserve on account of redemption of debentures	-	325.00
Less: Remeasurement of post-employment benefit obligation (net of tax)	52.04	(205.91)
Less: Dividend paid (including dividend distribution tax for the year ended March 31, 2021: Nil (March 31, 2020: ₹193.99 million))	-	(1,137.67)
Balance at the end of the year	**5,797.10**	**12,064.13**
General reserve		
Balance at the beginning and at end of the year	**4,194.73**	**4,194.73**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Debenture redemption reserve		
Balance at the beginning of the year	-	325.00
Less: Transferred to retained earnings on account of redemption of debentures	-	325.00
Balance at the end of the year	**-**	**-**
Capital redemption reserve		
Balance at the beginning and at end of the year	**11.30**	**11.30**
Capital reserve		
Balance at the beginning and at end of the year	**5,335.08**	**5,335.08**
Statutory reserves		
Balance at the beginning and at end of the year	**410.80**	**410.80**
Securities premium		
Balance at the beginning of the year	6,190.08	6,190.08
Add: Received on account of issue of equity shares during the year (refer note 52)	6,974.25	-
Less: Utilised for expenses in connection with issue of equity shares during the year	(140.30)	-
Balance at the beginning and at end of the year	**13,024.03**	**6,190.08**
Total reserves and surplus	**28,773.04**	**28,206.12**
Other reserves		
Foreign currency translation reserve		
Balance at the beginning of the year	1,708.98	922.06
Add/(Less): Exchange differences in translating the financial statements of foreign operations	(355.68)	786.92
Balance at the end of the year	**1,353.30**	**1,708.98**
Cash flow hedge reserve		
Balance at the beginning of the year	(4.66)	(6.65)
Gain on changes in fair value of hedging instruments	-	22.79
Income tax relating to gains/loss reclassified to profit and loss	-	(1.07)
Reclassification to Statement of Profit and Loss	4.66	(19.73)
Balance at the end of the year	**-**	**(4.66)**
Total other reserves	**1,353.30**	**1,704.32**
Total other equity	**30,126.34**	**29,910.44**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 18: Non-current-Borrowings

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Term loans		
From banks		
Rupee loans from banks and financial institutions	4,266.63	2,742.90
Foreign currency loans from bank	5,055.12	6,186.30
Unsecured		
Deferred sales tax loan	39.47	72.84
Total non-current borrowing	**9,361.22**	**9,002.04**

Maturity profile of Non-current borrowings

(₹ in million)

Particulars	Effective Interest Rate	Current (refer note 26)	Non-current					Total of Non-current
			2022-23	2023-24	2024-25	2025-26	More than 5 years	
Rupee loans from banks and financial institutions	6.25% to 9%	1,286.03	1,879.04	1,184.79	738.76	382.89	81.15	**4,266.63**
Foreign currency loans from bank (Overseas entities)	See note below	11,081.34	1,004.46	2,509.30	453.71	443.13	644.52	**5,055.12**
Deferred sales tax loan		**33.28**	**20.44**	**14.04**	**4.99**	**-**	**-**	**39.47**

Note: Czech Republic: EURIBOR (1M/3M)+1.3% to 2% ; Morocco: EURIBOR (6M)+1.6% ; Netherlands: EURIBOR (3M/6M) + 1.6% to 2.45% ; Italy EURIBOR (3M/6M/12M)+0.95% to 2%; USA: LIBOR +2.25%

Nature of Security

Indian entities

1. Secured borrowings of entities based in India 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.

2. Rupee Term Loans from Banks/Financial Institution are secured by:

(a) Rupee Term Loan of ₹305.5 million (Original amount ₹500 million) 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 - 431 136.

(b) Rupee Term Loan (I) of ₹1,000 million from HSBC Bank is secured by way of first *pari passu* charge on identified movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Distt. Pune, Plot No. L-6/2, MIDC, Waluj, Aurangabad and Plot No. L-4, MIDC, Waluj, Aurangabad.

(c) Rupee Term Loan (II) of ₹1,000 million from HSBC Bank is secured by way of exclusive/first *pari passu* charge on movable fixed assets both present and future located at its plant(s) I, II, IV, VEL-Corp, R&D at Chinchawad, Pune, Pantnagar, Halol, Chennai,and AMD at Shendra, Aurangabad.

(d) Rupee Term Loan of ₹522 million from Federal Bank is secured by way of exclusive charge on movable fixed assets both present & future of its plant situated at Survey No. 44/2, 43, 42/5, 45/1(P), 481(1)(P) Pondur A Village, Sriperumbadur Tal. & Dist. Kancheepuram, 602 105 (Tamil nadu State).

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

(e) Rupee Term Loan of ₹700 million from Kotak Mahindra Bank Ltd. is secured by way of first *pari passu* charge on movable fixed assets both present and future of unit III located at Plot No. B-24/25, MIDC, Chakan, Distt. Pune, and unit VII (Valves & Forging) located at Plot No. L-4, MIDC, Waluj, Aurangabad.

(f) Rupee Working Capital Term Loan (WCTL) by way of Guaranteed Emergency Credit Line (GECL) under ECLGS scheme of National Credit Guarantee Trustee Company Ltd. (NCGTC). of ₹195.50 million from Kotak Mahindra Bank Ltd. is secured by way of Second pari-passu charge on current assets of the Company along with other banks. Second Pari-passu charge on movable fixed assets of the Company situated at Plot No. L-6/2 & L-4, MIDC, Waluj, Aurangabad – 431 136 (M.S.) and Plot No. B-24/25, MIDC, Chakan, Pune – 410 501 (M.S.).

(g) Rupee Working Capital Term Loan of ₹400 million by way of Guaranteed Emergency Credit Line (GECL) under ECLGS scheme of National Credit Guarantee Trustee Company Ltd. (NCGTC) from HSBC Bank Ltd. secured by way of Second pari-passu charge on identified movable fixed assets of the Company situated at Plot No. L-6/2 & L-4, MIDC, Waluj, Aurangabad – 431 136 (M.S.) and Plot No. B-24/25, MIDC, Chakan, Pune – 410 501 (M.S.) and Second exclusive charge on identified movable fixed assets of various plants of the Company.

(h) Rupee Term loan of ₹1,000 million availed from Bajaj Finance Limited is secured by way of mortgage on specific immovable properties on exclusive charge basis located at Plot Nos. E-4, K-101/102, M-140/141, L-6/2, L-4, and M-191/3 MIDC, Waluj, Aurangabad - 431 136, Maharashtra State.

(i) Rupee Term loan of ₹650 million availed from Bajaj Finance Limited is secured by way of mortgage on specific immovable properties on exclusive charge basis located at Plot No. B-24/25, MIDC, Chakan, Pune - 410 501, Maharashtra State and extension of charge on specific immovable properties located at E-4, K-101/102, M-140/141, L-6/2,L-4, and M-191/3 MIDC, Waluj, Aurangabad - 431 136, Maharashtra State.

(j) The flexi term loan facility of ₹209.50 million availed from Bajaj Finance Limited is fundible between Varroc Polymers Pvt. Ltd. and Varroc Engineering Ltd. The said facility is secured by way of exclusive charge by way of hypothecation of movable fixed assets (both present & future) of the Varroc Polymers Pvt. Ltd. situated at Plot No. C-3, Phase-2, MIDC Area, Chakan, Khed, Pune - 410 505.

(k) Term Loan facility from HDFC Bank Ltd. of ₹50 crores is secured by way of first pari-passu charge on property, plant and equipment both present and future of Chennai, Pithampur & Bangalore plants.

Overseas entities

1. Secured borrowings of the foreign entities located in Morocco, USA and Czech Republic are secured by way of charge on tangible and Intangible assets of the respective entities. The credit facilities availed by Morocco & Czech Republic entities are further secured by way of Corporate Guarantee of their holding Company VarrocCorp Holding B.V. The credit facilities availed by USA entity is further secured by Corporate Guarantee of parent Company Varroc Engineering Ltd.

2. In case of credit facilities availed by Foreign subsidiaries located in Netherlands, it is secured by way of Standby letter of credit issued by Indian bank and corporate guarantee furnished by Varroc Engineering Limited.

3. In case of Foreign subsidiary located in Italy, loans are secured by way of specific charge on assets purchased from these loans.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

4. The credit facilities availed by Morocco & CZ entities, it is further secured by way of pledge of shares held by their holding company VarrocCorp Holding B.V

Note 19: Non-current – Other financial liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Security deposits	-	1.50
Payable for capital goods	1.94	1.06
Employee benefits payable	151.54	161.01
Redemption liability related to non-controlling interest	69.02	69.02
Total non-current other financial liabilities	**222.50**	**232.59**

Note 20: Non-current – Provisions

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Employee defined benefit obligation (refer note 40)	747.81	825.52
Compensated absences	158.33	131.19
Others		
Provision for warranties*	324.69	184.08
Others#	26.27	40.86
Total non-current provisions	**1,257.10**	**1,181.65**

(₹ in million)

Particulars	Warranties		Others	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Balance as at the beginning of the year	559.40	558.14	127.15	86.83
Additions	730.42	399.87	9.13	45.55
Utilisation/Reversed during the year	(421.10)	(433.75)	(25.99)	(5.33)
Foreign exchange translation difference	(5.36)	35.14	2.40	0.10
Balance as at the end of the year	**863.36**	**559.40**	**112.69**	**127.15**
Current Portion	**538.67**	**375.32**	**86.42**	**86.29**
Non-current Portion	**324.69**	**184.08**	**26.27**	**40.86**
Total	**863.36**	**559.40**	**112.69**	**127.15**

* Provision for warranties:- The Group 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. The impact of discounting of these provisions is not material.

Other provision includes provision for coupon schemes and provisions 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.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 21: Deferred tax

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Deferred tax liabilities (gross)		
Depreciation and amortisation	2,441.90	2,222.07
Revenue recognised under percentage of completion method	40.25	41.48
Government grants	83.48	83.01
	2,565.63	**2,346.56**
Offset with deferred tax asset to the extend they relate to same governing law	(1,231.16)	(1,360.73)
Deferred tax liabilities (net)	**1,334.47**	**985.83**

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Deferred tax assets (Gross)		
Revenue recognised under percentage of completion method	4.69	120.19
Deferred Compensation	74.00	-
Provision for inventory	-	57.44
Expenses allowable under Income Tax on payment basis	650.60	248.97
Provision for doubtful debts and advances	33.24	39.56
Unabsorbed tax depreciation and losses	439.45	-
Provision for employee benefits	270.04	336.63
Investment allowance*	1,121.99	1,951.58
MAT credit entitlement	378.35	547.67
Others	42.78	239.47
	3,015.14	**3,541.51**
Offset with deferred tax liabilities to the extent they relate to same governing law	(1,231.16)	(1,360.75)
Deferred tax assets (net)	**1,783.98**	**2,180.76**

* Pertain to deferred tax asset recognised on tax incentive on eligible investments by the subsidiary in Czech Republic which can be utilised against future taxable income over 10 years from the date of investment.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Movement in deferred tax assets		
Opening deferred tax assets (net)	1,194.93	930.33
Recognised in the statement of profit and loss		
- Deferred tax expense	207.77	(25.54)
- Exceptional item-reversal of deferred tax asset (refer note 53)	(1,077.76)	-
Recognised in other comprehensive income	(42.12)	151.62
Tax effect of movement in cash flow hedge reserve	-	1.07
Exchange Differences	166.68	152.61
Others	-	1.06
Effect of change in accounting policy	-	22.09
Deferred tax liability acquired on business combination	-	(38.31)
Closing deferred tax assets (net)	**449.50**	**1,194.93**

Note 22: Other non-current liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance received from customer	963.90	1,484.12
Deferred government grant (refer note 27)	641.01	347.63
Total other non-current liabilities	**1,604.91**	**1,831.75**

Note 23: Current borrowings

(₹ in million)

Particulars	Maturity Date	Terms of Repayment	Interest rate	As at March 31, 2021	As at March 31, 2020
Secured					
Cash Credit	Various	Various	8% to 9%	0.95	328.76
Working capital facilities					
Working capital loans	Various	Various	0.85% to7.7%	7,887.68	14,825.60
Factored receivables (refer note 11)	Various	Various	1.5% to 6%	328.97	430.08
Unsecured					
Working capital loans	Various	Various	8.75%	-	250.00
Pre-shipment credit in foreign currency (PCFC)	Various	Various	8.50%	-	400.00
Short-term loan from financial institutions	Various	41 to 42 days	8.75%	-	770.00
Total current borrowings				**8,217.60**	**17,004.44**

Working capital facilities availed from banks, are secured by 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.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Net Debt		
Cash and cash equivalents (refer note 12 (a))	7,414.35	10,330.98
Liquid Investments	-	40.23
Current borrowings	(8,216.65)	(16,675.68)
Non-current borrowings (includes current maturities of non-current borrowings (refer note 18 and 25)	(21,761.87)	(18,420.06)
Interest accrued but not due (refer note 25)	(142.29)	(92.44)
Net debt	**(22,706.46)**	**(24,816.97)**

Reconciliation of net debt for the year ended March 31, 2021

(₹ in million)

Particulars	As at April 01, 2020	Cashflows	Acquired on purchase of business	Interest Expenses	Interest Paid	Cash flow hedge Reserve	Translation Difference	Gain on sale of investments	As at March 31, 2021
Non-current borrowings	18,420.06	2,843.55	-	-	-	-	498.25	-	21,761.87
Liquid investment	40.23	(41.61)	-	-	-	-		1.38	-
Current borrowings	16,675.68	(8,980.97)	-	-	-	-	521.94	-	8,216.65
Cash and cash equivalent	10,330.98	(3,224.25)	-	-	-	-	307.62	-	7,414.35
Interest accrued but not due	92.44	-	-	1,420.84	(1,370.99)	-	-	-	142.29

Reconciliation of net debt for the year ended March 31, 2020

(₹ in million)

Particulars	As at April 01, 2019	Cashflows	Acquired on purchase of business	Interest Expenses	Interest Paid	Cash flow hedge Reserve	Translation Difference	Gain on sale of investments	As at March 31, 2020
Non-current borrowings	12,378.37	6,036.99	-	-	-	19.73	(15.03)	-	18,420.06
Liquid investment	186.41	(157.55)	-	-	-	-	-	11.37	40.23
Current borrowings	11,861.52	4,445.00	-	-	-	-	369.16	-	16,675.68
Cash and cash equivalent	1,455.29	8,786.03	3.85	-	-	-	85.81	-	10,330.98
Interest accrued but not due	71.04	-	-	1,226.60	(1,205.20)	-	-	-	92.44

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 24: Trade payables

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Non-Current		
Total outstanding dues other than micro enterprises and small enterprises	134.98	-
Total non-current trade payables	**134.98**	**-**
Current		
Total outstanding dues of micro enterprises and small enterprises* (refer note 39)	1,661.33	866.28
Total outstanding dues other than micro enterprises and small enterprises		
Trade payables to Related Parties (refer note 47)	59.53	12.43
Others	27,988.78	22,767.64
Total current trade payables	**29,709.64**	**23,646.35**

*Pertains to Indian entities

Note 25: Current - Other financial liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Current maturity of non-current borrowing		
Term loans		
From banks		
Rupee loans from banks	915.51	1,017.52
Foreign currency loans from banks*	11,081.34	8,291.77
From financial institution		
Rupee loans from financial institution	370.52	64.27
Deferred sales tax loan	33.28	44.46
	12,400.65	**9,418.02**
Interest accrued but not due on borrowings	142.29	92.44
Payable for capital goods	2,379.08	1,719.86
Customer security deposits	70.24	67.32
Employee benefits payable	2,137.09	1,792.27
Financial liabilities at fair value through OCI (cash flow hedges)		
Cross currency interest rate swap	-	8.90
Advance against insurance claim	-	500.00
Other financial liabilities	884.04	-
Total other financial liabilities	**18,013.39**	**13,598.81**

*The Group has not complied with some covenants under loan agreements. Accordingly non-current loans of ₹4,981.22 million (previous year ₹5,329.50 million) have been reclassified as current.The management does not expect any material impact on the financial statements/cash flows due to the above.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 26: Current – provisions

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Employee defined benefit obligation (refer note 40)	21.28	91.56
Compensated absences	48.16	21.95
Others		
Provision for warranties (refer note 20)	538.67	375.32
Others (refer note 20)	86.42	86.29
Total current provisions	**694.53**	**575.12**

Note 27: Other current liabilities

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance received from customers	2,379.55	3,337.46
Deferred government grant **	152.01	269.99
Prepayment received from vendors	67.99	59.44
Statutory dues payable	658.21	374.69
Other payables	197.38	232.68
Total other current liabilities	**3,455.14**	**4,274.26**

** Deferred government grant

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 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.

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Balance as at the beginning of the year	617.62	385.83
Received during the year	488.85	459.31
Released to statement of profit and loss (refer note 29)	313.45	227.52
Balance as at the end of the year	**793.02**	**617.62**
Current portion	**152.01**	**269.99**
Non-current portion	**641.01**	**347.63**
Total	**793.02**	**617.62**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 28: Revenue from operations

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Revenue from contracts with customer	112,348.29	110,443.09
Other operating revenue	679.22	775.60
Total	**113,027.51**	**111,218.69**

Revenue from contracts with customer

A. Disaggregated revenue information

(₹ in million)

Segment	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Automotive	Others	Total	Automotive	Others	Total
Timing of revenue recognition						
Goods/services transferred at a point in time						
Finished goods						
Global four wheeler automotive lighting	65,193.99	-	65,193.99	60,349.59	-	60,349.59
Automotive components (mainly 2 wheeler and 3 wheeler business in India)	34,618.10	-	34,618.10	36,619.04	-	36,619.04
Others	2,919.64	1,777.40	4,697.04	3,118.37	2,151.60	5,269.97
Toolings	1,957.07	-	1,957.07	242.09	-	242.09
Job Work	85.92	25.89	111.81	93.51	22.31	115.82
Goods transferred over time						
Toolings	5,770.28	-	5,770.28	7,846.58	-	7,846.58
Total revenue from contracts with customers	**110,545.00**	**1,803.29**	**112,348.29**	**108,269.18**	**2,173.91**	**110,443.09**
Revenue by region						
India	36,012.43	-	36,012.43	36,939.63	-	36,939.63
Asia pacific	2,796.75	-	2,796.75	1,979.90	-	1,979.90
Europe	53,873.28	1,731.03	55,604.31	52,108.85	1,995.05	54,103.90
North America	16,176.22	72.26	16,248.48	15,902.47	178.86	16,081.33
Others	1,686.32	-	1,686.32	1,338.33	-	1,338.33
Total revenue from contracts with customers	**110,545.00**	**1,803.29**	**112,348.29**	**108,269.18**	**2,173.91**	**110,443.09**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

B. Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information

(₹ in million)

Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Automotive	Others	Total	Automotive	Others	Total
Revenue						
External customer	111,137.63	1,889.88	113,027.51	108,967.12	2,251.58	111,218.70
Inter-segment	-	-	-	-	-	-
	111,137.63	**1,889.88**	**113,027.51**	**108,967.12**	**2,251.58**	**111,218.70**
Less: Inter-segment adjustment and elimination	-	-	-	-	-	-
Less: Other operating revenue	592.63	86.59	679.22	697.94	77.67	775.61
Total revenue from contracts with customers	**110,545.00**	**1,803.29**	**112,348.29**	**108,269.18**	**2,173.91**	**110,443.09**

C. Contract balances

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Trade receivables	16,407.38	10,893.33
Contract asset	3,039.96	5,039.64
Contract liabilities	3,343.45	4,821.58

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities include advances received from customers for performing engineering design and development services.

Set out below is the amount of revenue recognised from:

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Amount of revenue recognised from amounts included in contract liabilities at the beginning of the year	1,312.25	1,332.34

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

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Revenue as per contracted price	112,856.77	110,763.40
Adjustments		
Discount	(235.55)	(134.08)
Amortisation of customer prepayments	(272.93)	(186.23)
Revenue from contract with customers	**112,348.29**	**110,443.09**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

E. Performance obligation

Revenue from contracts with customers include revenue from finished goods, tooling and job work services.

Information about the above Group's performance obligations are summarised below:

Finished goods

For the sale of finished goods the performance obligation is generally satisfied upon its delivery and payment is generally due within 30 to 120 days from delivery. 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. The Group considers that the contractual promise made to the automaker in the form of warranties for the parts supplied does not meet the definition of separate performance obligation as it does not give rise to additional service.

Product development/engineering services are considered as related to sale of parts rather than a separate performance obligation. As a result, revenue from engineering services is recognised over the period of production from the date of start of production. Costs incurred in respect of providing engineering services are recognised as intangible assets and amortised over the period of production from the date of start of production. Payments received from customers in respect of product development/engineering services are presented as contract liabilities.

Supply of toolings

Development of toolings for the customers has been identified by the group to be a separate performance obligation. Further, the group has determined that the performance obligation in respect of development of toolings primarily pertaining to global automotive lighting business is generally satisfied over time. For other tooling contracts, the performance obligation is satisfied at a point in time or over time based on the specific terms of the contract.

Job work revenue is recognised when the work is completed and billed to customer.

Other operating revenue

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Scrap sales	299.11	355.21
Wind and solar power generation	93.12	108.52
Export Incentives	99.16	97.10
Royalty (Refer note 47)	109.20	87.36
Others	78.63	127.41
Total other operating revenue	**679.22**	**775.60**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Note 29: Other income

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Other income		
Rent income		
- from investment properties	-	17.61
Interest income		
- from financial assets measured at amortised cost	0.28	0.37
- Others	16.29	21.89
Unwinding of discount on security deposit	4.90	1.87
Net gain on disposal of property, plant and equipment (refer note 36)	230.02	-
Excess of insurance proceeds over book value (refer note 36)	364.72	-
Net gain on sale of investments	1.38	11.37
Government grants	313.45	227.52
Net foreign exchange gain	-	479.21
Liabilities no longer required written back	39.25	20.68
Increase in surrender value of keyman insurance policy	23.83	10.04
Miscellaneous income	276.88	198.30
Total other income	**1,271.00**	**988.86**

Note 30: Cost of materials consumed

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Raw material at the beginning of the year	5,824.67	4,457.35
Add: Purchases	76,659.04	71,560.95
	82,483.71	**76,018.30**
Less: Raw material at the end of the year	6,638.60	5,824.67
Total cost of materials consumed	**75,845.11**	**70,193.63**

Note 31: Changes in Inventories of work-in-progress and finished goods

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Opening balance		
Work-in-progress	2,111.56	2,246.17
Finished goods	1,840.48	1,373.75
Total opening balance	**3,952.04**	**3,619.92**
Closing balance		
Work-in-progress	2,731.41	2,111.56
Finished goods	1,950.02	1,840.48
Total closing balance	**4,681.43**	**3,952.04**
Total changes in inventories of work-in-progress and finished goods	**(729.39)**	**(332.12)**

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for the year ended March 31, 2021

Note 32: Employee benefit expense

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries, wages and bonus	13,009.36	13,210.73
Contribution to Gratuity and other funds (Refer Note 40)	1,019.82	1,029.96
Staff welfare expenses	2,266.57	2,131.22
Total employee benefit expense	**16,295.75**	**16,371.91**

Note 33: Finance costs

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest and finance charges on financial liabilities not at fair value through profit or loss	1,163.09	1,008.49
Interest and finance charges paid/payable for lease liabilities	205.45	165.07
Other borrowing costs	257.75	218.11
Total finance costs	**1,626.29**	**1,391.67**

Note 34: Depreciation and amortisation expense

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation of property, plant and equipment	5,047.61	4,208.44
Depreciation on Investment properties	-	5.87
Amortisation of intangible assets	3,038.90	2,403.05
Amortisation of right of use assets	864.42	701.28
Total depreciation and amortisation expenses	**8,950.93**	**7,318.64**

Note 35: Other expenses

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Consumption of stores and spares and loose tools	1,054.44	1,101.34
Consumption of packing materials	1,312.62	1,182.64
Repairs to		
Buildings	192.84	202.04
Machinery	627.65	572.80
Others	367.02	523.80
Telephone and communication expenses	171.56	162.31
Water and electricity charges	2,259.84	2,356.73
Rental charges	325.60	259.78

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(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rates and taxes	162.17	139.38
Contract labour cost	3,496.79	3,524.98
Legal and professional fees	947.61	771.16
Net foreign exchange loss	93.81	-
Net loss on sale of property, plant & equipment	-	44.37
Travelling and conveyance	344.33	632.83
Insurance	276.67	232.45
Corporate social responsibility expenditure *	44.44	46.62
Provision for doubtful loans, advances and debts (net)	84.27	175.15
Sales promotion, marketing and advertisement cost	98.89	133.18
Freight and forwarding expenses	3,461.07	2,629.05
Warranties	730.42	399.87
IT related cost	628.23	652.76
Miscellaneous expenses	967.86	1,034.02
Total other expenses	**17,648.13**	**16,777.26**

* Includes amount of ₹9.26 million (March 31, 2020: ₹11.95 million) contributed to Varroc Foundation in which some of the directors are trustee.

Note 36: Fire incident at one of the plants in Pune, India

On February 18, 2020, one of the Group's plant located at Hinjewadi, Pune caught major fire. There were no human casualties reported. Evacuation team conducted successful evacuation of all persons present in the factory at the time of fire. After preliminary investigation, it was found that the cause of fire was due to short circuit. Except for a small amount of inventory, fixed assets and certain toolings, all other assets, documents, vouchers, etc were lost in the fire.

During the previous year ended March 31, 2020, the carrying value of inventories of ₹245.41 million (including expenses incurred and GST reversals) and carrying value of property, plant and equipment of ₹570.05 million was written off in the consolidated statement of profit and loss. Since the Group had a valid insurance policy which adequately covered the above loss, the same was shown as receivable as at March 31, 2020. Further, the Group had also received an interim amount of ₹500 million from insurance company against the above loss incurred, pending finalisation and approval of the insurance claim which was shown as an advance/ liability in books as at March 31, 2020. The insurance claim in this regard was finally settled in the current year and accordingly the other income for the year ended March 31, 2021 includes an amount of ₹364.72 million being the excess of claim amount over net book value of assets destroyed. Further, the Group has sold the plot of land belonging to the above said plant in the current year. Accordingly, other income for the year ended March 31, 2021 includes amount of ₹241.87 million being profit on sale of such land.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 37: Income tax expense

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Current tax	434.39	344.26
Deferred tax expense	(207.77)	25.54
Income tax expense *	**226.62**	**369.80**
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	(5,338.31)	486.51
Tax at the Indian tax rate of 34.944% (March 31, 2020: 34.944%)	(1,865.42)	170.01
Weighted deduction on research and development expenditure	(18.57)	(152.18)
Investment allowance	(129.97)	(389.24)
Non-deductible expenses	79.80	120.08
Withholding taxes	164.22	-
Other items	(43.73)	(66.67)
Deferred tax asset not recognised on losses	1,000.56	559.61
Difference in overseas tax rates	1,039.73	128.19
	226.62	**369.80**

* Excluding exceptional item pertaining to reversal of deferred tax asset created on tax incentive in earlier period (refer note 53)

Note 38: Contingent liabilities

(₹ in million)

Contingent liabilities not provided for	March 31, 2021	March 31, 2020
a) Claim against the group not acknowledged as debt		
Disputed excise and service tax matters	296.74	266.45
Income tax matters	41.49	23.73
Sales tax matters	2.63	2.11
Warranty claim liability (Refer note (ii))	312.14	943.68
(b) Disputed patents matter	Refer note (iii)	-
(c) Other money for which the Group is contingently liable/Employees Related Disputes	54.61	29.86
(d) Export promotion capital goods (EPCG) (Export obligation against the above ₹1,406.16 million (previous year ₹251.90 million))	234.36	41.98
(e) Provident fund liability	See note (iv) below	

(i) The Group is contesting excise and service tax demand and the management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Group's financial position and results of the operations.

(ii) - As at March 31, 2021:The Group has received claim from one of the customers in respect of warranty and other damages/costs for products supplied in earlier years. The Group is contesting the claim and the management, based on its internal evaluation and discussions with the legal counsel, is of the view that the dispute is at a nascent stage and the future course of action is dependent

Notes to the Consolidated Financial Statements
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on outcome of discussions between the parties. Management does not expect any material cash outflow/liability in this matter. Accordingly, no provision has been made in these consolidated financial statements.

- As at March 31, 2020:The Group had received a warranty claim of approx. ₹943.68 million from the one of its overseas customer. Based on the discussion with the said customer, final settlement of the claim has been agreed in October 2020 at ₹131.68 million. The Group believes that the provision for warranty as at March 31, 2021 is adequate to cover the above settlement of the claim.

(iii) The Group received notice from a third party auto component supplier for certain alleged patent infringements in respect of some of the products supplied by an overseas subsidiary of the Group in the European region. The matter is under litigation and considering that the matter is technical and needs extensive evaluation, it is not possible to predict the potential outcome of this matter. Accordingly, no provision has been considered in respect of this matter in these financial statements for the year ended March 31, 2021.

(iv) There are numerous interpretative issues relating to the Supreme Court (SC) judgement on PF dated February 28, 2019. As a matter of caution, the Group has made a provision on a prospective basis from the date of the SC order. The Group will update its provision, on receiving further clarity on the subject.

Note 39: 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:

(₹ in million)

Particulars	March 31, 2021	March 31, 2020
a) Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	1,661.33	869.46
b) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	1.66	2.91
c) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	2,640.09	4,264.85
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*	13.57	21.69
g) Further interest remaining due and payable for earlier years	43.91	19.30

** The Group has a process of sending out confirmations to all vendors, regarding their status as MSME. Based on responses received, the Group marks vendors as MSME and others.

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Note 40: Employee benefit obligation

A Defined contribution plans

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 Group is limited to the amount contributed and it has no further contractual nor any constructive obligation. Contributions are made to defined contribution plans in foreign entities as per regulations of the respective region. The expense recognised during the year towards defined contribution plan are as under:

The expense recognised during the year towards defined contribution plan are as under:

(₹ in million)

Particulars	March 31, 2021	March 31, 2020
(a) Indian Entities		
(I) Contribution to Employees' provident fund	108.13	119.18
(II) Contribution to Employees' family pension fund	72.30	81.43
Total (a)	**180.43**	**200.61**
(b) Foreign Entities		
Contribution to defined employees contribution plan	73.51	61.82
Total (b)	**73.51**	**61.82**

B. Defined Benefit Plan (Gratuity) (Indian entities)

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 Group makes contributions to recognised funds in India. The Group 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:

(a) Change in present value of benefit obligations

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Liability at the beginning of the year	510.39	407.29
Add: Additions on account of business combination (refer note 56)	-	1.04
Service cost	67.98	62.77
Interest expense	33.67	29.82
Transfer of obligation	(0.19)	0.00
Remeasurements-Actuarial (gains)/ losses (refer note (e) below)	(42.54)	41.33
Benefits paid	(26.37)	(31.86)
Liability at the end of the year	**542.94**	**510.39**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(b) Change in fair value of plan assets

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Fair value of plan assets at the beginning of the year	420.37	380.65
Interest income	31.72	29.48
Remeasurements-Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	1.34	(0.43)
Contributions	126.19	46.02
Morality charges and taxes	(1.38)	(3.49)
Benefits paid	(26.06)	(31.86)
Fair value of plan assets at the end of the year	**552.18**	**420.37**

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

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of funded obligations	542.94	510.39
Fair value of plan assets	552.18	420.37
(Surplus)/deficit of funded plan	**(9.24)**	**90.02**

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

(₹ in million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Service cost	67.98	62.77
Net interest (income)/expense	1.61	0.34
Transfer in/(out)	0.29	-
Net gratuity cost	**69.88**	**63.11**

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

(₹ in million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Remeasurement		
Experience (Gain)/ Loss on plan liabilities	(30.35)	(3.03)
Financial (Gain)/ Loss on plan liabilities	(12.17)	43.74
(Gain)/Loss from change in demographic assumptions	-	0.62
Experience (Gain)/ Loss on plan assets	(5.10)	(0.73)
Financial(Gain)/ Loss on plan assets	3.77	1.16
Total expenses to be recognised in statement of other comprehensive income	**(43.85)**	**41.76**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

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

Particulars	As of March 31, 2021	As of March 31, 2020
Discount rate	5.80%-6.90%	6.80%
Salary growth rate	7.00%	7.00%-8.00 %
Weighted average duration of defined benefit obligation	6.16-13.87	4.48 -12.82

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 the government bonds.

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	March 31, 2021	March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	-11.07%	-11.30%
(ii) 1% decrease in discount rate	13.18%	13.53%
(iii)1% increase in rate of salary escalation	11.75%	12.08%
(iv)1% decreasing rate of salary escalation	-10.17%	-10.41%

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.

Maturity profile of defined benefit obligation:

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Within 1 year	25.77	26.62
1-2 year	21.72	18.34
2-3 year	26.86	26.45
3-4 year	41.27	31.08
4-5 year	40.87	44.61
5-10 years	306.12	283.70

C Pension Plans (Overseas Entities)

The group operates defined benefit pension plans in Mexico, Germany, Italy, Poland and Turkey 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

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The group funds the pension 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:

(a) Change in present value of benefit obligations

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Liability at the beginning of the year	1,478.53	1,074.93
Service cost	90.45	76.27
Interest expense	35.91	44.60
Curtailment gain	(19.77)	(52.23)
Transfer of obligation	-	-
Remeasurements-Actuarial (gains)/ losses (refer note (e) below)	(57.47)	310.17
Benefits paid	(53.07)	(47.89)
Effect of foreign exchange rate	56.48	72.68
Liability at the end of the year	**1,531.06**	**1,478.53**

(b) Change in fair value of plan assets

(₹ in million)

Particulars	March 31, 2021	March 31, 2020
Fair value of plan assets at the beginning of the year	651.48	564.28
Interest income	9.02	14.82
Transfer of assets	13.75	9.43
Remeasurements- Return on plan assets excluding amounts recognised in interest income (refer note (e) below)	(4.73)	(7.49)
Contributions	112.19	69.94
Benefits paid	(34.18)	(31.63)
Effect of Foreign exchange rate	24.12	32.13
Fair value of plan assets at the end of the year	**771.65**	**651.48**

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

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Present value of funded obligations	1,531.06	1,478.53
Fair value of plan assets	771.65	651.48
Deficit of funded plan	**759.41**	**827.06**

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

(₹ in million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Service cost	90.45	76.27
Net interest (income)/expense	26.89	29.78
Curtailment gain	(19.77)	(52.23)
Net gratuity cost	**97.57**	**53.81**

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

(₹ in million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Remeasurement		
Experience (Gain)/ Loss on plan liabilities	4.85	41.39
Financial (Gain)/ Loss on plan liabilities	(99.19)	9.52
(Return) /Loss on plan assets excluding amounts recognised in interest (income)/expenses	3.63	4.36
(Gain)/Loss from change in demographic assumptions	37.57	41.01
Experience (Gain)/ Loss on plan assets	(0.37)	4.24
(Gain)/Loss from change in financial assumptions	-	217.98
Financial (Gain)/ Loss on plan assets	0.77	(1.12)
Total expenses to be recognised in statement of other comprehensive income	**(52.74)**	**317.39**

(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:

Mexico

Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2021	As of March 31, 2020
Discount rate	7.00%	8.50%
Salary growth rate	4.00%	4.00%
Weighted average duration of defined benefit obligation	11.39	10.81

Change in Assumption

Particulars	As at March 31, 2021	As at March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	-9.68%	-9.08%
(ii) 1% decrease in discount rate	11.31%	10.53%
(iii) 1% increase in rate of salary escalation	12.17%	11.43%
(iv) 1% decreasing rate of salary escalation	-10.13%	-9.60%

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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.

Germany
Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2021	As of March 31, 2020
Discount rate	1.19%	0.61%
Salary growth rate	2.90%	3.00%
Weighted average duration of defined benefit obligation	21.08	22.00

Change in Assumption

Particulars	As at March 31, 2021	As at March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 0.5% increase in discount rate	-9.46%	-10.19%
(ii) 0.5% decrease in discount rate	10.85%	11.77%
(iii) 0.5% increase in rate of salary escalation	1.64%	2.04%
(iv) 0.5% decreasing rate of salary escalation	-2.80%	-3.39%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 0.5 %, 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.

Italy
Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2021	As of March 31, 2020
Discount rate	0.70%	1.60%
Salary growth rate	0.60%	0.10%
Weighted average duration of defined benefit obligation	8.89-15.05	8.89-15.05

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Change in Assumption

Particulars	As of March 31, 2021	As of March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 0.1% increase in discount rate	-1.12%	-1.06%
(ii) 0.1% decrease in discount rate	1.14%	1.08%
(iii) 0.1% increase in rate of salary escalation	1.01%	0.04%
(iv) 0.1% decreasing rate of salary escalation	-0.97%	-0.04%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 0.1%, 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.

Poland
Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2021	As of March 31, 2020
Discount rate	1.50%	2.70%
Salary growth rate	3.00%	3.00%
Weighted average duration of defined benefit obligation	27.12	24.89

Change in Assumption

Particulars	As of March 31, 2021	As of March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 0.5% increase in discount rate	-8.19%	-7.11%
(ii) 0.5% decrease in discount rate	9.21%	7.89%
(iii) 0.5% increase in rate of salary escalation	8.50%	7.31%
(iv) 0.5% decreasing rate of salary escalation	-7.65%	-6.69%

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by 0.5%, 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.

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Turkey
Quantitative sensitivity analysis for significant assumptions are as follows:

Particulars	As of March 31, 2021	As of March 31, 2020
Discount rate	13.20%	11.82%
Salary growth rate	11.00%	11.00%
Weighted average duration of defined benefit obligation	16.71	16.35

Change in Assumption

Particulars	As of March 31, 2021	As of March 31, 2020
Increase/(decrease) in present value of defined benefit obligation as at the end of the year		
(i) 1% increase in discount rate	-8.14%	-12.40%
(ii) 1% decrease in discount rate	15.59%	14.84%
(iii) 1% increase in rate of salary escalation	9.12%	0.03%
(iv) 1% decreasing rate of salary escalation	-5.70%	-0.03%

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.

Maturity profile of defined benefit obligation:

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Within 1 year	33.52	21.43
1-2 year	27.14	27.24
2-3 year	47.40	26.44
3-4 year	66.63	43.79
4-5 year	78.63	61.54
5-10 years	389.17	408.50

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 neutralise valuation swings caused by interest rate movements. Hence companies are encouraged to adopt asset-liability management.

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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.

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.

Note 41: Fair value measurement
Financial instruments by category

(₹ in million)

Particulars	March 31, 2021			March 31, 2020		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investments						
- Equity instruments	0.14	-	-	0.14	-	-
- Mutual funds	-	-	-	40.23	-	-
- Government securities	-	-	0.06	-	-	0.06
Loans	-	-	392.04	-	-	282.51
Trade receivables	-	-	16,407.38	-	-	10,893.34
Cash and bank balances	-	-	7,512.64	-	-	10,775.89
Derivative contracts	8.51	-	-	-	19.92	-
Other financial assets	-	-	174.22	-	-	144.94
Total financial assets	**8.65**	**-**	**24,486.34**	**40.37**	**19.92**	**22,096.74**
Financial liabilities						
Borrowings	-	-	29,979.47	-	-	35,424.50
Lease liabilities	-	-	6,966.59	-	-	7,126.12
Derivative contracts	-	-	-	8.90	-	-
Security deposits	-	-	70.24	-	-	68.82
Trade payables	-	-	29,844.62	-	-	23,646.35
Acceptances	-	-	601.97	-	-	157.47
Capital creditors	-	-	2,381.02	-	-	1,720.92
Employee benefits payable	-	-	2,288.63	-	-	1,953.28
Other financial liabilities	-	-	1,095.35	-	-	661.47
Total financial liabilities	**-**	**-**	**73,227.89**	**8.90**	**-**	**70,758.93**

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(i) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets/liabilities as at March 31, 2021:	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.14	-	0.14
Derivative contracts	-	8.51	-	8.51
Total	**-**	**8.65**	**-**	**8.65**
Liabilities measured at fair value	**-**	**-**	**-**	**-**

(₹ in million)

Quantitative disclosures fair value measurement hierarchy for assets/liabilities as at March 31, 2020:	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Equity instruments	-	0.14	-	0.14
Derivative contracts	-	19.92	-	19.92
Investments - Mutual funds	40.23	-	-	40.23
Total	**40.23**	**20.06**	**-**	**60.29**
Liabilities measured at fair value				
Derivative contracts	-	8.90	-	8.90
Total	**-**	**8.90**	**-**	**8.90**

(ii) Valuation technique used to determine fair value

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

- The fair values of the mutual funds are based on price quotations at the reporting date.

- The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spread between the respective currencies, interest rate curves, etc. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value through profit and loss.

- The fair value of forward foreign exchange contracts and principal swap is determined using forward exchange rates at the balance sheet date.

(iii) Fair value of non-current financial assets and liabilities measured at amortised cost

(₹ in million)

Particulars	March 31, 2021		March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments				
- Government securities	0.06	0.06	0.06	0.06
Loans	170.64	170.64	160.89	160.89
Other financial assets	233.23	233.23	231.93	231.93
Total	**403.93**	**403.93**	**392.88**	**392.88**
Financial liabilities				
Borrowings	9,361.22	9,361.22	9,002.04	9,002.04
Lease liabilities	6,192.10	6,255.46	6,522.15	6,578.25
Other financial liabilities	222.50	222.50	232.59	232.59
Total financial liabilities	**15,775.82**	**15,839.18**	**15,756.78**	**15,812.88**

- The borrowings are at floating rate of interest and hence their fair values as at March 31, 2021 approximate their carrying values. The fair value of the other non-current financial assets and liabilities measured at amortised costs is determined using discounted cash flow basis.

- The carrying amounts of current financial assets and liabilities including trade receivables, loans, trade payables, cash and bank balances, security deposits, other financial assets, other financial liabilities, acceptances measured at amortised costs are considered to approximate their fair values, due to their short-term nature.

Note 42: Financial risk management

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

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

A. Market Risk

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

a) Foreign currency risk

The Group operates internationally and the business is transacted in several currencies. Consequently the Group is exposed to foreign exchange risk mainly in the North America and Europe . The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may

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fluctuate substantially in the future. Consequently, the results of the Group's 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.

The group's exposure to foreign currency risk as of March 31, 2021 expressed in INR, is as follows:

(₹ in million)

	March 31, 2021					
	USD	EURO	JPY	CZK	Other currencies	Total
Financial assets						
Trade receivables	531.50	804.60	-	263.78	0.28	1,600.16
Other assets	31.08	407.56	-	210.38	8.08	657.10
Financial liabilities						
Borrowings	76.79	615.99	-	7.94	(0.10)	700.62
Trade payables	1,039.50	368.94	112.52	2,798.94	20.47	4,340.37
Other liabilities	1.82	583.95	-	1,416.25	77.10	2,079.12
Net assets/(liabilities)	**(555.53)**	**(356.72)**	**(112.52)**	**(3,748.97)**	**(89.11)**	**(4,862.85)**

The group's exposure to foreign currency risk as of March 31, 2020 expressed in INR, is as follows:

(₹ in million)

	March 31, 2020					
	USD	EURO	JPY	CZK	Other currencies	Total
Financial assets						
Trade receivables	166.14	829.96	-	838.86	0.02	1,834.97
Other assets	194.19	547.20	-	273.17	1.90	1,016.46
Financial liabilities						
Borrowings	-	196.78	-	833.20	-	1,029.98
Trade payables	744.06	541.74	18.25	2,879.65	77.19	4,260.89
Other liabilities	100.71	457.45	-	1,201.30	60.25	1,819.72
Net assets/(liabilities)	**(484.45)**	**181.20**	**(18.25)**	**(3,802.13)**	**(135.52)**	**(4,259.15)**

Sensitivity

For the year ended March 31, 2021 and March 31, 2020, 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 ₹5.56 million and ₹4.84 million respectively, Euro by approximately ₹3.57 million and ₹1.81 million, respectively and CZK by approximately ₹37.49 million and previous year ₹38.02 million.

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.

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for the year ended March 31, 2021

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:

(₹ in million)

For the year ended	Currency	Increase/ decrease in basis points	Variable rate Cash Credit and Term loans balances	Effect on profit before tax
March 31, 2021	INR	+100	27,507.79	(275.08)
March 31, 2021	INR	-100	27,507.79	275.08
March 31, 2020	INR	+100	31,287.72	(312.88)
March 31, 2020	INR	-100	31,287.72	312.88

c) Other price risk

The Group does not have material investments in equity securities other than investments in Joint Ventures. Hence equity price risk is considered to be low. Further, the Group's operating activities require the ongoing purchase of various commodities for manufacture of automotive parts. However, the movement is commodity prices are substantially adjusted through price differences as per customer contracts and hence commodity price risk for the Group is also considered to be low.

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 investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group only deals with parties which have good credit rating/worthiness given by external rating agencies or based on the Group's internal assessment.

Trade receivables

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Further, Group's customers includes marquee OEMs and Tier I companies, having long standing relationship with the Group. Outstanding customer receivables are regularly monitored and reconciled. At March 31, 2021, receivable from Group's top 22 customers accounted for approximately 80% (March 31, 2020: top 18 customers accounted 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 12.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's corporate treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Credit limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the balance sheet at March 31, 2021 and March 31, 2020 is the carrying amounts as disclosed in Note 13.

Notes to the Consolidated Financial Statements
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C. Liquidity risk

Liquidity risk is defined as the risk that the Group 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, 2021, 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.

Particulars (₹ in million)

March 31, 2021	On demand	< 1 year	1 to 5 years	> 5 years
Non-derivative				
Borrowings	7,888.63	12,729.62	8,635.55	725.67
Lease liabilities	-	774.49	3,025.83	3,166.27
Trade payables	-	29,709.64	134.98	-
Acceptances	-	601.97	-	-
Other financial liabilities	70.24	5,542.50	222.50	-
Derivative liabilities pending settlement	-	-	-	-

Particulars (₹ in million)

March 31, 2020	On demand	< 1 year	1 to 5 years	> 5 years
Non-derivative				
Borrowings	15,154.36	11,268.10	8,496.79	505.25
Lease liabilities	-	603.97	2,795.84	3,726.31
Trade payables	-	23,646.35	-	-
Acceptances	-	157.47	-	-
Other financial liabilities	67.32	4,104.57	232.59	-
Derivative liabilities pending settlement	-	**8.90**	-	-

- The amount disclosed in the table are the contractual undiscounted cash flows.

Note 43: Capital management

(a) Risk management

The group's capital comprises equity 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 debt-equity ratio, which is net debt divided by total equity. Net debt comprises of long-term and short-term borrowings less cash and bank balances. Equity includes equity share capital and other equity attributable to equity shareholders. The debt-equity ratio at the end of the reporting period was as follows.

The group's strategy is to maintain a net debt equity ratio below 1:1.

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Net debt	22,527.13	24,736.83
Total equity	30,279.13	30,045.26
Net debt to equity ratio	**0.74**	**0.82**

*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 Group 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. Some of the financial covenants were not complied as at March 31, 2021 and March 31, 2020 (Refer note 25 for details)

(b) Dividends

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Interim dividend for the year ended March 31, 2020 of ₹3 per equity share declared and paid on February 28, 2020.	-	404.43
Final dividend for the year ended March 31, 2019 of ₹4 per equity share paid on August 14, 2019.	-	539.25
Dividend Distribution tax	-	196.41

Dividend not recognised at the end of reporting period

The Board of Directors have not recommended any dividend during the current year (for March 31, 2020 the final dividend proposed by the Board was ₹ Nil per equity share).

Notes to the Consolidated Financial Statements

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Note 44: Impact of hedging activities

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

March 31, 2021

(₹ 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									
Principal and interest rate swaps (Czech)	-	1,955.34	-	(0.48)	September 30, 2021	1:1	0.00%	(0.48)	0.48
Principal and interest rate swaps (Mexico)	-	1,452.60	-	3.33	April 27, 2021	1:1	4.04%	(3.33)	3.33
Fair value through P&L									
Foreign exchange forward contracts-EUR	162.31	-	7.53	-	September 30, 2021	1:1	₹90.87	(7.53)	7.53
Foreign exchange forward contracts-USD	158.27	47.62	1.14	(0.15)	July 30, 2021	1:1	₹74.02	(0.98)	0.98

March 31, 2020

(₹ 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									
Principal and interest rate swaps	-	184.36	-	12.73	March 4, 2021	1:1	₹68.75	18.21	(14.51)
Principal and interest rate swaps	-	71.37	-	7.29	May 20, 2021	1:1	₹66.60	4.57	(5.22)
Principal and interest rate swaps (Czech)	-	1,889.52	-	2.31	September 30, 2021	1:1	0.00%	(2.31)	2.31
Principal and interest rate swaps (Mexico)	-	1,492.00	-	2.73	April 27, 2020	1:1	4.90%	(2.73)	2.73
Fair value through P&L									
Foreign exchange forward contracts-EUR	152.27	-	(4.05)	-	September 30, 2020	1:1	₹81.50	4.05	(4.05)
Foreign exchange forward contracts-USD	114.78	-	(4.84)	-	August 31, 2020	1:1	₹72.89	10.05	(10.05)

Notes to the Consolidated Financial Statements

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Movement in cash flow hedging reserve

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash flow hedge		
Balance at the beginning of the period/year	(4.66)	(6.65)
Gain/loss on changes in fair value of hedging instrument	-	22.79
Income tax relating to gains/loss reclassified to profit and loss	-	(1.07)
Reclassification to Statement of Profit and Loss	4.66	(19.73)
Balance at the end of the period/year	-	**(4.66)**

Note 45: 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 "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" comprise of forging components for off road vehicles and components for mining and oil drilling industry which is below the thresholds for reporting as separate operating segment. Investment in Joint Venture and corresponding share of profit from joint venture is considered under unallocated assets and profit respectively.

(a) Operating segment

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021			For the year ended March 31, 2020		
		Automotive	Others	Total	Automotive	Others	Total
	Segment revenue						
1	Revenue from operations	1,11,137.63	1,889.88	1,13,027.51	1,08,967.10	2,251.58	1,11,218.68
	Less: Inter segment revenue	-	-	-	-	-	-
	Total revenue (external)	**1,11,137.63**	**1,889.88**	**1,13,027.51**	**1,08,967.10**	**2,251.58**	**1,11,218.68**
2	Segment results before other income, finance cost and tax	(3,668.61)	(373.43)	(4,042.04)	1,724.16	(95.76)	1,628.40
3(i)	Other income (net of unallocated expense)			330.02			249.78
3(ii)	Finance costs			1,626.29			1,391.67
3(iii)	Profit before tax and share of net profit of joint ventures accounted for using the equity method			(5,338.31)			486.51
3(iv)	Share of net profit of joint ventures accounted for using the equity method			356.28			(91.65)
4	**Profit/(loss) before tax**			**(4,982.03)**			**394.86**
5	Tax expenses including deferred tax			226.62			369.80
6	Exceptional items-Tax expenses			1,077.76			-
7	**Profit/(loss) after tax**			**(6,286.41)**			**25.06**
		As at March 31, 2021			As at March 31, 2020		
8	Segment assets	1,02,849.49	2,546.73	1,05,396.22	1,00,808.11	2,113.75	1,02,921.86
	Unallocable assets			6,857.01			7,100.87
	Total assets			**1,12,253.23**			**1,10,022.73**
9	Segment liabilities	48,674.58	650.21	49,324.79	41,935.98	551.15	42,487.13
	Unallocable liabilities			32,367.54			37,241.10
	Total liabilities			**81,692.33**			**79,728.23**
10	Other information						
	Cost to acquire fixed assets			**7,900.48**			**16,544.41**
	Depreciation and amortisation			**8,950.93**			**7,318.64**

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(b) Geographical information
(i) Segment revenue by geographical area based on geographical location of customers:

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
	Revenue within:		
1	India	36,390.82	37,395.72
2	Asia Pacific	2,824.97	2,019.72
3	Europe	55,876.93	54,383.59
4	North America	16,248.47	16,081.32
5	Others	1,686.32	1,338.33
	Total	**1,13,027.51**	**1,11,218.68**

(ii) Total of non-current assets other than financial instruments, investments accounted for using equity methods and deferred tax assets broken down by location of the assets, is shown below:

(₹ in million)

Sr. No.	Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
1	India	19,464.73	19,029.99
2	Asia Pacific	169.74	191.04
3	Europe	37,064.87	37,352.31
4	North America	5,330.64	4,685.67
5	Others	805.27	845.04
	Total	**62,835.25**	**62,104.05**

(c) Revenue from 3 customers amounted to ₹19,033.00 million (March 31, 2020: ₹20,803.70 million), ₹17,455.00 million (March 31, 2020: ₹13,797.90 million) and ₹11,727.00 million (March 31, 2020: 10,963.80 million) arising from sales in the Automotive segment.

Note 46 A: Interests in subsidiaries
(a) Subsidiaries
The subsidiaries at March 31, 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

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Particulars	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
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%	-	-
Varroc European Holding B.V.	Netherlands	100%	100%	-	-
Aries Mentor Holding B.V. **	Netherlands	-	-	-	-
VarrocCorp Holding B.V.	Netherlands	100%	100%	-	-
Varroc Japan Co. Limited	Japan	100%	100%	-	-
CarIQ Technologies Private Limited	India	74%	74%	26%^	26%^
Step down subsidiaries					
Team Concepts Private Limited	India	100%	100%	-	-
Industrial Meccanica E Stampaggio S.p.a.	Italy	100%	100%	-	-
Varroc Lighting Systems, Italy S.p.A.	Italy	100%	100%	-	-
Varroc Lighting Systems, Vietnam Co. Ltd.	Vietnam	100%	100%	-	-
Varroc Lighting Systems, Romania S.A. (previously known as "Electromures SA")	Romania	98.23%	98.23%	1.77%^	1.77%^
Varroc Lighting Systems SRO	Czech Republic	100%	100%	-	-
Varroc Lighting Systems Inc.	USA	100%	100%	-	-
Varroc Lighting Systems GmBH.	Germany	100%	100%	-	-
Varroc Lighting Systems S.de.R.L. De. C.V.	Mexico	100%	100%	-	-
Varroc Lighting Systems S.A., Morocco	Morocco	99.87%	99.87%	0.13%^	0.13%^
Varroc do Brasil Industria E Commercia LTDA	Brazil	100%	100%	-	-
Varroc Lighting Systems sp. Z o.o.	Poland	100%	100%	-	-
Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim €irketi.	Turkey	100%	100%	-	-
Varroc Lighting Systems Bulgaria EOOD	Bulgaria	100%	100%	-	-
Varroc Lighting Systems Electronics Romania SRL (earlier known as Varroc Elba Electronics SRL)	Romania	100%	-	-	-

* Merged with Varroc Engineering Limited during the year ended March 31, 2021.

** Merged with VarrocCorp Holding B.V. during the year ended March 31, 2020.

^ Voting rights of the subsidiaries are held by the Group.

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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Note 46 B: Additional information as on March 31, 2021 required by Schedule III of the Companies Act, 2013

(₹ in million)

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 Limited	62.73%	19,169.95	14.7%	921.61	6.0%	18.15	14.26%	939.76
	Indian Subsidiaries								
1	Varroc Polymers Private Limited	17.42%	5,323.40	2.8%	174.33	3.34%	10.15	2.80%	184.48
2	Durovalves India Private Limited	3.31%	1,012.86	1.9%	122.16	-0.17%	(0.52)	1.85%	121.64
3	Team Concepts Private Limited	0.66%	202.37	0.5%	33.22	0.10%	0.29	0.51%	33.51
4	CarIQ Technologies Private Limited	-0.03%	(10.60)	0.0%	(2.79)	0.23%	0.69	-0.03%	(2.10)
	Foreign Subsidiaries								
1	VarrocCorp Holding B.V.	34.79%	10,632.24	-3.3%	(209.35)	0.00%	-	-3.18%	(209.35)
2	Varroc Lighting Systems S.R.O.	36.42%	11,128.82	-53.5%	(3,362.28)	0.00%	-	-51.02%	(3,362.28)
3	Varroc Lighting Systems S.de.R.L.de.C.V.	5.02%	1,533.36	1.9%	121.66	-11.99%	(36.41)	1.29%	85.25
4	Varroc Lighting Systems INC	12.34%	3,771.16	-3.5%	(222.85)	0.00%	-	-3.38%	(222.85)
5	Varroc Lighting Systems GmBH	0.14%	44.00	1.0%	61.87	30.81%	93.60	2.36%	155.48
6	Varroc Lighting Systems S.A., Morocco	-0.31%	(95.24)	-25.5%	(1,604.19)	0.00%	-	-24.34%	(1,604.19)
7	Varroc do Brasil Industria E Commercia LTDA	0.07%	22.08	-5.6%	(354.32)	0.00%	-	-5.38%	(354.32)
8	Varroc Lighting Systems sp. Z o.o.	-6.44%	(1,969.20)	-24.2%	(1,520.02)	-1.93%	(5.85)	-23.15%	(1,525.87)
9	Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim €irketi.	3.42%	1,045.67	-2.5%	(156.72)	-2.21%	(6.71)	-2.48%	(163.43)
10	Varroc Lighting Systems Bulgaria EOOD	-0.71%	(216.56)	-1.5%	(92.77)	-	-	-1.41%	(92.77)
11	Varroc Japan Co. Ltd	0.04%	11.67	0.0%	2.92	0.00%	-	0.04%	2.92
12	Varroc European Holding B.V.	-4.64%	(1,417.97)	-8.6%	(541.58)	0.00%	-	-8.22%	(541.58)
13	Industria Meccanica e Stampaggio S.p.A.	-0.02%	(7.44)	-6.0%	(376.99)	-5.23%	(15.88)	-5.96%	(392.87)
14	Varroc Lighting Systems, Italy S.p.A.	3.34%	1,021.45	0.9%	54.28	-1.85%	(5.62)	0.74%	48.65
15	Varroc Lighting Systems, Romania S.A.	0.46%	141.16	-1.3%	(78.68)	0.00%	-	-1.19%	(78.68)
16	Varroc Lighting Systems, Vietnam CO. Ltd.	1.48%	453.77	3.3%	209.46	0.00%	-	3.18%	209.46
17	Varroc Lighting Systems Electronics Romania SRL (earlier known as Varroc Elba Electronics SRL)	0.08%	24.79	-1.1%	(67.29)	0.00%	-	-1.02%	(67.29)
	Joint Venture								
	(Investment accounted as per equity method)								
1	Varroc TYC Corporation, BVI	11.95%	3,651.70	6.4%	405.34	0.00%		6.15%	405.34
2	Nuova CTS S.r.l	0.29%	89.17	0.2%	11.50	0.00%	-	0.17%	11.50
3	Varroc Dell'Orto Private Limited	0.07%	21.37	0.2%	12.55	0.01%	0.04	0.19%	12.58
	Non-controlling interests in subsidiaries	0.92%	281.77	0.52%	32.66	-0.05%	(0.14)	0.49%	32.52
	Sub-Total		**55,865.76**		**(6,426.27)**		**51.79**		**(6,374.48)**
	Adjustment arising out of consolidation	-82.80%	(25,304.86)	2.22%	139.86	-117.05%	(355.57)	-3.27%	(215.71)
	Total	**100%**	**30,560.90**	**100.00%**	**(6,286.41)**	**100.00%**	**(303.78)**	**100.00%**	**(6,590.19)**

Note 46 B: Additional information as on March 31, 2020 required by Schedule III of the Companies Act, 2013

(₹ in million)

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 Limited	36.91%	11,182.85	3951.6%	990.27	0.5%	3.29	158.58%	993.56
	Indian Subsidiaries								
1	Varroc Polymers Private Limited	16.96%	5,139.29	2047.6%	513.13	-0.99%	(5.94)	80.95%	507.19
2	Durovalves India Private Limited	2.94%	891.22	337.0%	84.45	-0.75%	(4.53)	12.76%	79.92
3	Varroc Lighting Systems (India) Private Limited	2.09%	632.51	193.4%	48.48	0.24%	1.42	7.96%	49.90
4	Team Concepts Private Limited	0.56%	168.85	237.4%	59.49	0.00%	0.01	9.50%	59.50
5	CarIQ Technologies Private Limited	-0.03%	(8.50)	-10.0%	(2.51)	0.03%	0.19	-0.37%	(2.32)
	Foreign Subsidiaries								
1	VarrocCorp Holding B.V.	15.56%	4,715.18	67.2%	16.84	0.00%	-	2.69%	16.84
2	Varroc Lighting Systems S.R.O.	45.86%	13,892.66	3455.3%	865.90	0.00%	-	138.20%	865.90

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(₹ in million)

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
3	Varroc Lighting Systems S.de.R.L.de.C.V.	4.92%	1,489.29	819.3%	205.31	-5.71%	(34.36)	27.28%	170.95
4	Varroc Lighting Systems INC	13.53%	4,097.35	-116.7%	(29.25)	0.00%	-	-4.67%	(29.25)
5	Varroc Lighting Systems GmBH	-0.34%	(103.76)	306.5%	76.80	-20.80%	(125.13)	-7.71%	(48.33)
6	Varroc Lighting Systems S.A., Morocco	-3.65%	(1,105.71)	-3358.6%	(841.67)	0.00%	-	-134.33%	(841.67)
7	Varroc do Brasil Industria E Commercia LTDA	-0.65%	(195.61)	-2328.8%	(583.60)	0.00%	-	-93.14%	(583.60)
8	Varroc Lighting Systems sp. Z o.o.	-2.35%	(711.99)	-2433.8%	(609.92)	-1.85%	(11.13)	-99.12%	(621.05)
9	Varroc Lighting Systems Turkey Endüstriyel Ürünler Imalat Ve Ticaret Anonim €irketi.	5.05%	1,529.35	876.3%	219.60	-1.67%	(10.03)	33.45%	209.57
10	Varroc Lighting Systems Bulgaria EOOD	-0.40%	(121.99)	-458.5%	(114.90)	-	-	-18.34%	(114.90)
11	Varroc Japan Co. Ltd	0.03%	8.83	14.2%	3.55	0.00%	-	0.57%	3.55
12	Varroc European Holding B.V.	-2.84%	(860.71)	-24.6%	(6.16)	0.00%	-	-0.98%	(6.16)
13	Industria Meccanica e Stampaggio S.p.A.	-0.36%	(110.36)	-489.5%	(122.68)	0.32%	1.90	-19.28%	(120.78)
14	Varroc Lighting Systems, Italy S.p.A.	3.11%	941.43	554.7%	139.02	-0.19%	(1.12)	22.01%	137.90
15	Varroc Lighting Systems, Romania S.A.	0.72%	217.36	36.7%	9.20	0.00%	-	1.47%	9.20
16	Varroc Lighting Systems, Vietnam CO. Ltd.	1.26%	381.57	473.3%	118.62	0.00%	-	18.93%	118.62
	Joint Venture								
	(Investment accounted as per equity method)								
1	Varroc TYC Corporation, BVI	10.22%	3,094.67	-239.0%	(59.89)	0.00%	-	-9.56%	(59.89)
2	Nuova CTS S.r.l	0.26%	77.54	19.7%	4.95	0.00%	-	0.79%	4.95
3	Varroc ELBA Electronics SRL, Romania	0.27%	81.10	-120.8%	(30.28)	0.00%	-	-4.83%	(30.28)
4	Varroc Dell'Orto Private Limited	0.03%	8.82	-25.6%	(6.43)	0.00%	-	-1.03%	(6.43)
	Non-controlling interests in subsidiaries	0.82%	249.24	92.38%	23.15	-0.20%	(1.23)	3.50%	21.92
	Sub-Total		**45,580.47**		**971.47**		**(186.65)**		**784.84**
	Adjustment arising out of consolidation	-50.46%	(15,285.97)	-3776.56%	(946.41)	131.03%	788.14	-25.26%	(158.29)
	Total	**100%**	**30,294.50**	**100.00%**	**25.06**	**100.00%**	**601.49**	**100.00%**	**626.55**

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 47: Related party disclosure

a) Related parties and their relationships

1. Jointly Controlled Entities
   - 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 Dell'Orto Private Limited
   - Varroc-Elba Electronics SRL, Romania (upto December 07, 2020.)

2. Key Management Personnel
   - Mr. Tarang Jain-Chairman and Managing Director

   Whole time Directors
   - Mr. Arjun Jain
   - Mr. Rohit Prakash (w.e.f. April 29, 2020)
   - Mr. Ashwani Maheshwari (upto April 29, 2020)

   Non-executive Directors
   - Mr. Naresh Chandra (upto November 10, 2020)

   Independent Directors
   - Mr. Gautam Khandelwal
   - Mr. Marc Szulewicz
   - Mrs. Vijaya Sampath
   - Mr. Vinish Kathuria

3. Relatives of Key Management Personnel with whom transactions have taken place
   - Mr. Dhruv Jain-Son of Mr. Tarang Jain

4. Enterprises owned or controlled by key management personnel and/or their relatives with whom transactions have taken place
   - Endurance Technologies Limited
   - MS Consulting S.A.R.L.,
   - TJ Holdings Trust
   - Naresh Chandra Holdings Trust
   - Suman Jain Holdings Trust

b) Transactions with related parties and balances at period end

(₹ in million)

Sr. No.	Description of the nature of transactions	Transactions		Balances			
		For the year ended March 31, 2021	For the year ended March 31, 2020	As at March 31, 2021		As at March 31, 2020	
				Receivable	Payable	Receivable	Payable
A]	**Sale of goods, services and fixed assets***						
	Endurance Technologies Limited	4.12	39.38	0.19	-	2.05	-
	Varroc TYC Auto Lamps Co. Limited	226.19	0.94	191.17	-	57.48	-
	Nuova CTS S.R.L, Italy	7.57	0.93	6.26	-	0.21	-
	Varroc Dell'Orto Private Limited	226.39	8.14	36.55	-	10.35	-
B]	**Purchase of goods, services and fixed assets ***						
	Nuova CTS S.R.L, Italy	112.65	54.70	-	26.32	-	7.76
	Varroc TYC Auto Lamps Co. Limited	29.17	8.39	-	33.71	-	4.67

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(₹ in million)

Sr. No.	Description of the nature of transactions	Transactions		Balances			
		For the year ended March 31, 2021	For the year ended March 31, 2020	As at March 31, 2021		As at March 31, 2020	
				Receivable	Payable	Receivable	Payable
C]	**Royalty received**						
	Varroc TYC Auto Lamps Co. Limited	109.20	81.33	74.67	-	12.91	-
D]	**Professional charges paid**						
	Mr. Naresh Chandra	0.37	0.57	-	-	-	-
	Mr. Gautam Khandelwal	0.94	2.08	-	0.87	-	1.87
	Mr. Marc Szulewicz	1.87	1.78	-	1.87	-	1.78
	Mrs. Vijaya Sampath	1.50	2.20	-	1.50	-	1.98
	Mr. Vinish Kathuria	1.80	2.30	-	1.67	-	2.07
	MS Consulting S.A.R.L.,	6.93	6.31	-	-	-	-
E]	**Directors fees paid**						
	Mr. Naresh Chandra	-	0.12	-	-	-	-
	Mr. Gautam Khandelwal	2.12	1.40	-	-	-	-
	Mr. Marc Szulewicz	1.20	0.58	-	-	-	-
	Mrs. Vijaya Sampath	2.00	1.30	-	-	-	-
	Mr. Vinish Kathuria	1.70	1.20	-	-	-	-
F]	**Dividend paid**						
	Mr. Tarang Jain	-	425.11	-	-	-	-
	Mr. Arjun Jain	-	0.04	-	-	-	-
	Mr. Dhruv Jain	-	0.04	-	-	-	-
	TJ Holdings Trust	-	236.95	-	-	-	-
	Naresh Chandra Holdings Trust	-	70.00	-	-	-	-
	Suman Jain Holdings Trust	-	70.00	-	-	-	-
G]	**Managerial remuneration #**						
	Mr. Tarang Jain	26.29	83.65	-	-	-	-
	Mr. Arjun Jain	10.22	11.98	-	-	-	-
	Mr. Ashwani Maheshwari (upto April 29, 2020)	1.39	21.23	-	-	-	-
	Mr. Rohit Prakash (w.e.f. April 29, 2020)	16.09	-	-	-	-	-
H]	**Remuneration #**						
	Mr. Dhruv Jain	7.08	6.44	-	-	-	-
I]	**Dividend received**						
	Varroc TYC Auto Lamps Co. Limited	-	251.16	-	-	-	-
	Nuova CTS S.R.L, Italy	-	11.04	-	-	-	-
J]	**Reimbursement of expenses (received/receivable)**						
	Varroc Dell'Orto Private Limited	0.67	0.85	-	-	0.81	-

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

(₹ in million)

Sr. No.	Description of the nature of transactions	Transactions		Balances			
		For the year ended March 31, 2021	For the year ended March 31, 2020	As at March 31, 2021		As at March 31, 2020	
				Receivable	Payable	Receivable	Payable
K]	**Management consultancy fees received**						
	Varroc Dell'Orto Private Limited	9.34	-	3.49	-	-	-
L]	**Loan to joint venture**						
	Varroc-Elba Electronics S.R.L	-	57.02	-	-	57.02	-
M]	**Investment in joint venture**						
	Varroc-Elba Electronics S.R.L	-	90.36	-	-	-	-
	Varroc Dell'Orto Private Limited	-	15.00	-	-	-	-
N]	**Rent received**						
	Varroc Dell'Orto Private Limited	1.71	-	0.34	-	-	-

Notes:

* All the amounts exclusive of taxes, if any.

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 48: Commitments

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

(₹ in million)

Particulars	March 31, 2021	March 31, 2020
Estimated amount of contract remaining to be executed on capital account and not provided for (net of advances)	5,391.80	2,497.98

Note 49: Earnings per share

(₹ in million)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Earnings per share (EPS)		
Basic		
Profit/(loss) attributable to equity shareholders (Rupees in million) (A)	(6,319.07)	1.91
Weighted average number of shares outstanding (B)	13,51,56,254	13,48,11,530
Basic EPS (Amount in Rupees) (A/B)	**(46.75)**	**0.01**
Diluted		
Profit/(loss) attributable to equity shareholders (Rupees in million) (C)	(6,319.07)	1.91
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share (D)	13,51,56,254	13,48,11,530.00
Diluted EPS (Amount in Rupees) (C/D)	**(46.75)**	**0.01**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

Note 50: Interests in joint ventures

Set out below are the joint ventures of the group as at March 31, 2021:

(₹ in million)

Name of entity	Place of business	% of ownership	Relationship	Accounting method	Carrying Value	
					As at March 31, 2021	As at March 31, 2020
Varroc TYC Corporation, BVI and its subsidiaries	China/British Virgin Islands	50%	Joint Venture	Equity Method	3,651.70	3,094.68
Nuova CTS S.R.L.	Italy	50%	Joint Venture	Equity Method	89.18	77.54
Varroc-Elba Electronics S.R.L*	Romania	70%	Joint Venture	Equity Method	-	81.10
Varroc Dell'Orto Private Limited	India	50%	Joint Venture	Equity Method	21.37	8.82
Total					**3,762.25**	**3,262.14**

* Varroc-Elba Electronics S.R.L, Romania has become subsidiary w.e.f. December 08, 2020.

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

(₹ in million)

Particulars	As at March 31, 2021	As at March 31, 2020
Commitments – joint ventures		
Varroc TYC Corporation, BVI and its subsidiaries	140.98	178.05

Note 50: 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.

(i) Summarised Balance Sheet

(₹ in million)

Particulars	Varroc TYC Corporation, BVI (Consolidated)		Nuova CTS S.R.L		Varroc-Elba Electronics S.R.L*		Varroc Dell'Orto Private Limited	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Current assets								
Cash and cash equivalents	2,012.18	1,610.58	25.31	8.93	-	45.47	59.66	29.49
Other assets	6,831.16	4,438.68	40.41	27.72	-	12.93	151.27	16.49
Total current assets	**8,843.34**	**6,049.26**	**65.72**	**36.65**	**-**	**58.40**	**210.93**	**45.98**
Total non-current assets	**6,502.20**	**5,951.20**	**2.60**	**3.02**		**169.50**	**2.41**	**-**
Current liabilities								
Financial liabilities	698.24	1,410.50	-	-	-	25.83		-
Other liabilities	6,991.76	3,996.42	19.08	13.61	-	4.69	170.25	28.34
Total current liabilities	**7,690.00**	**5,406.92**	**19.08**	**13.61**	**-**	**30.52**	**170.25**	**28.34**

Notes to the Consolidated Financial Statements
for the year ended March 31, 2021

(₹ in million)

Particulars	Varroc TYC Corporation, BVI (Consolidated)		Nuova CTS S.R.L		Varroc-Elba Electronics S.R.L*		Varroc Dell'Orto Private Limited	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Non-current liabilities								
Financial liabilities	263.10	282.02	-	-	-	81.53		-
Other liabilities	151.24	184.38	0.23	0.33	-	-	0.36	-
Total non-current liabilities	**414.34**	**466.40**	**0.23**	**0.33**	**-**	**81.53**	**0.36**	**-**
Net assets	**7,241.20**	**6,127.14**	**49.01**	**25.73**	**-**	**115.85**	**42.73**	**17.64**

(ii) Summarised statement of Profit and Loss

(₹ in million)

Particulars	Varroc TYC Corporation, BVI (Consolidated)		Nuova CTS S.R.L		Varroc-Elba Electronics S.R.L*		Varroc Dell'Orto Private Limited	
	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue	11,834.26	7,962.34	134.90	125.18	11.18	-	545.12	11.10
Depreciation and amortisation	691.20	545.02	0.78	0.77	5.43	0.27	0.06	-
Interest expense	27.60	75.66	-	-	1.95	0.09	0.17	0.01
Income tax expense	48.58	(40.52)	7.77	4.05	-	-	8.44	-
Profit for the period	810.68	(119.78)	22.99	9.89	(104.44)	(43.26)	25.09	(12.86)
Other comprehensive income	-	-	-	-	-	-	0.07	-
Total comprehensive income	810.68	(119.78)	22.99	9.89	(104.44)	(43.26)	25.02	(12.86)
Dividends received	-	509.14	-	22.08	-	-	-	-

* For Varroc-Elba Electronics S.R.L transaction upto December 08,2020 is considered, Varroc-Elba Electronics S.R.L, Romania has became subsidiary w.e.f. December 08, 2020.

Note 51: Interests in joint ventures
Reconciliation of carrying amounts

(₹ in million)

Particulars	Varroc TYC Corporation, BVI (Consolidated)		Nuova CTS S.R.L		Varroc-Elba Electronics S.R.L*		Varroc Dell'Orto Private Limited	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Closing net assets	**7,241.20**	**6,127.14**	**49.01**	**25.73**	**-**	**115.86**	**42.73**	**17.64**
Group's share in %	50%	50%	50%	50%		70%	50%	50%
Group's share in INR	3,620.60	3,063.58	24.51	12.87	-	81.10	21.37	8.82
Goodwill	31.10	31.10	64.67	64.67	-	-	-	-
Carrying amount	**3,651.70**	**3,094.68**	**89.18**	**77.54**	**-**	**81.10**	**21.37**	**8.82**

* Varroc-Elba Electronics S.R.L, Romania has became subsidiary w.e.f. December 08, 2020.

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Note 52: Utilisation of proceeds from issue of equity shares during the year

During the current year, the Company has issued 17,974,870 equity shares of Re 1 each at an issue price of ₹389 per equity share, aggregating to ₹6,992.22 million (including securities premium of ₹6,974.25 million). The issue was made through eligible Qualified Institutional Placement (QIP) in terms of chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended, Section 42 and other relevant provisions of the Companies Act, 2013. The proceeds (net of issue expenses of ₹140.30 million) have been utilised for repayment of borrowings of the Group to the extent of ₹890 million and remaining unutilised amount of ₹5,961.92 million is held as bank balances within the Group as at March 31, 2021.

Note 53: Exceptional Item-Income tax expenses

The Czech subsidiary of the Company had, in earlier years, recognised certain tax credits as deferred tax assets under two different incentive schemes available to the subsidiary. The management has reassessed the recoverability of these tax assets as at March 31, 2021 based on revised business plans, taking into account the impact of COVID-19 on the business volumes and profitability of the Czech subsidiary in the current financial year as well as future years. Based on this assessment, management concluded that there is an uncertainty on the recoverability of the deferred tax assets recognised under the first scheme, which expires by March 2024. Accordingly, the Group has considered it prudent to write off these tax assets amounting to ₹1,077.76 million under the above-mentioned scheme during the current period, and the same has been disclosed separately as “Exceptional Item” in these financial statements.

The management is working on various opportunities to utilise this benefit and this write off does not impact the eligibility of the Czech subsidiary to claim the incentive benefit in the event there are sufficient taxable profits available in subsequent years before expiry of the benefits.

Note 54: Government grants for COVID-19

During the year ended March 31, 2021, subsidiary company in Czech Republic has received a government grant of ₹215.47 million towards employee benefit expenses incurred during the lockdown imposed due to COVID-19 pandemic. Such grant has been netted off against the employee benefit expenses.

Note 55: Other notes

(i) The Code on Social Security, 2020 (‘Code’) relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

(ii) Previous year figures regrouped wherever necessary to conform to current year classification

Note 56 (a): Business combination

Summary of acquisition during the year ended March 31, 2021

On December 08, 2020, the Group acquired the remaining stake in “Varroc Elba Electronics SRL” (w.e.f. March 11, 2021, known as “Varroc Lighting Systems Electronics Romania SRL”) which was a JV of the Group, engaged in business of electronic lighting and vehicle control electronics solutions for automotive OEMSs. The Group has performed allocation of the purchase consideration of ₹90.17 million to assets and liabilities based on their acquisition date fair values. The consideration in excess of fair values of the assets and liabilities acquired has been allocated to Goodwill.

The assets and liabilities recognised at fair value as a result of the acquisition as at the acquisition date are as follows:

(₹ in million)

Particulars	Amount
Non-current Assets	
Property, plant & equipment	204.63
Intangible assets	13.23
Non-current Financial Assets	**217.86**
Current Asset	
Inventories	76.93
Financial Assets	
Trade receivables	9.70
Cash and cash equivalents	27.05
Other current assets	89.53
Total Asset	**421.07**
Non-current liabilities	
Other financial liabilities	
Borrowings	264.58
Current Liabilities	
Financial liabilities	
Trade payables	134.70
Total Liabilities	**399.28**
Net identifiable asset acquired	**21.79**

Calculation of Goodwill

(₹ in million)

Particulars	Amount
Fair value of consideration (including 70% investment in JV amounting to ₹15.25 million)	105.95
Less: Net identifiable assets	(21.79)
Goodwill on acquisition	**84.16**

From the date of acquisition, Varroc Lighting Systems Electronics Romania SRL Subsidiary (earlier known as Varroc Elba Electronics SRL) has contributed ₹189.45 million of revenue and ₹5.81 million to the profit/ (loss) before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, contribution to revenue from continuing operations would have been ₹200.47 million and to the profit/ (loss) before tax from continuing operations for the Group would have been ₹(99.79) million.

Note 56 (b): Business combination

Summary of acquisition during the year ended March 31, 2020

On August 30, 2019, the Group acquired “CarIQ Technologies Private Limited” , engaged in supply of connected car platforms. The Group performed allocation of the purchase consideration of ₹258.61 million to assets and liabilities based on their acquisition date fair values. The consideration in excess of fair values of the assets and liabilities acquired has been allocated to Goodwill.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

The assets and liabilities recognised at fair value as a result of the acquisition as at the acquisition date are as follows:

(₹ in million)

Particulars	Amount
Non-current Assets	
Property, plant & equipment	0.42
Intangible assets	153.47
Non-current Financial Assets	
Other financial assets	0.18
Current Asset	
Inventories	1.72
Financial Assets	
Trade receivables	6.68
Cash and cash equivalents	3.85
Other current assets	6.14
Total Asset	**172.46**
Non-current liabilities	
Other financial liabilities	
Provisions	0.95
Deferred tax liabilities (Net)	38.32
Other current liabilities	0.96
Current Liabilities	
Financial liabilities	
Trade payables	5.44
Provisions	0.13
Other current liabilities	19.34
Total Liabilities	**65.14**
Net identifiable asset acquired	**107.32**

Calculation of Goodwill

(₹ in million)

	Amount
Fair value of consideration	261.42
Add: Fair value of Non-controlling interest (NCI)	-
Less: Net identifiable assets acquired	(107.32)
Goodwill on acquisition	**154.10**

From the date of acquisition, CarIQ Subsidiary has contributed ₹63.93 million of revenue and ₹(2.93) million to the profit/ (loss) before tax from continuing operations of the Group for the year ended March 31, 2020. If the combination had taken place at the beginning of the previous year, contribution to revenue from continuing operations would have been ₹122.01 million and the profit/ (loss) before tax from continuing operations for the Group would have been ₹(32.85) million.

Notes to the Consolidated Financial Statements

for the year ended March 31, 2021

Note 57: COVID-19 impact assessment

The Group has considered the possible effects of COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, deferred tax assets, etc and impact on liquidity position. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Group, as at the date of approval of these financial statements, has used internal and external sources of information. The Group has performed analysis on the assumptions used and based on current estimates, expects that the carrying amounts of the assets to be recoverable as at March 31, 2021. The impact of COVID-19 on the Group's financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

As per our report of even date

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

per Paul Alvares
Partner
Membership No.: 105754

Place: Pune
Date: June 04, 2021

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole Time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

FORM AOC-1

STATEMENT CONTAINING SAILENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES / ASSOCIATES COMPANIES / JOINT VENTURES
[Pursuant to first provisio of Sub-Section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules,2014]

(A) SUBSIDIARY COMPANIES

(₹ in million)

Name of Subsidiary Company	Reporting Currency	Amount in	Exchange Rate	Capital	Share Application Money Received	Reserves	Total Assets	Total Liabilities	Investment (Refer note 2)	Turnover	Profit Before Tax	Provision For Tax (Net of Write back)	Profit after Tax	Proposed Dividend	% Share Holding
Varroc Polymers Private Limited	₹	₹ in millions	-	5.29	-	5,318.11	10,477.22	5,153.82	572.35	12,638.62	273.31	98.98	174.34	-	100%
Durovalves India Private Limited	₹	₹ in millions	-	43.21	-	969.66	1,359.18	346.32	0.03	1,147.13	174.07	51.91	122.16	-	72.78%
Team Concepts Private Limited	₹	₹ in millions	-	3.06	-	199.31	236.80	34.43	0.01	176.35	43.57	10.35	33.22	-	100%
CarIQ Technologies Private Limited	₹	₹ in millions	-	0.33	-	(10.93)	42.74	53.34	-	59.93	(3.18)	(0.38)	(2.79)	-	74%
VarrocCorp Holding B.V.	€	₹ in millions	84.36	9,948.42	-	683.82	18,589.00	7,956.76	12,818.19	-	(219.92)	(10.57)	(209.35)	-	100%
Varroc Lighting Systems S.R.O.	€	₹ in millions	84.36	1,100.35	-	10,028.47	40,355.00	29,226.17	2,355.30	48,424.71	(2,580.85)	781.42	(3,362.28)	-	100%
Varroc Lighting Systems S.de.R.L.de.C.V.	US$	₹ in millions	72.63	1,685.58	-	(152.22)	9,134.38	7,601.02	-	12,895.25	185.40	63.74	121.66	-	100%
Varroc Lighting Systems INC	US$	₹ in millions	72.63	2,195.00	-	1,576.15	11,261.22	7,490.07	-	14,237.35	(354.33)	(131.48)	(222.85)	-	100%
Varroc Lighting Systems GmBH	€	₹ in millions	84.36	2.11	-	41.89	315.32	271.31	-	645.57	90.99	29.12	61.87	-	100%
Varroc Lighting Systems S.A., Morocco	€	₹ in millions	84.36	2,660.80	-	(2,756.04)	11,586.57	11,681.81	-	4,089.84	(1,604.19)	-	(1,604.19)	-	99.87%
VARROC DO BRASIL COMÉRCIO, IMPORTAÇÃO E EXPORTAÇÃO DE MÁQUINAS, EQUIPAMENTO E PEÇAS LTDA.	BRL	₹ in millions	12.70	981.46	-	(959.38)	1,174.81	1,152.72	-	609.06	(335.41)	18.91	(354.32)	-	100%
Varroc Lighting Systems sp. Z o.o.	€	₹ in millions	84.36	253.18	-	(2,222.38)	7,023.02	8,992.22	-	4,234.13	(1,520.02)	-	(1,520.02)	-	100%
VARROC LIGHTING SYSTEMS TURKEY ENDÜSTRIYEL ÜRÜNLER İMALAT VE TİCARET ANONİM ŞİRKETİ	TRY	₹ in millions	8.68	10.85	-	1,034.82	3,740.36	2,694.68	15,592.02	3,410.28	(150.19)	6.53	(156.72)	-	100%
Varroc Lighting Systems Bulgaria EOOD	€	₹ in millions	84.36	0.04	-	(216.60)	469.13	685.69	-	102.52	(92.82)	(0.05)	(92.77)	-	100%
Varroc Japan Co. Ltd	Y	₹ in millions	0.66	0.07	-	11.61	16.30	4.62	-	28.22	3.01	0.09	2.92	-	100%
Varroc European Holding B.V.	€	₹ in millions	84.36	1,751.90	-	(3,169.88)	1,754.18	3,172.15	-	-	(540.70)	0.88	(541.58)	-	100%
Industria Meccanica e Stampaggio S.p.A.	€	₹ in millions	84.36	388.02	-	(395.47)	2,162.65	2,170.09	106.08	1,889.88	(420.21)	(43.22)	(376.99)	-	100%
Varroc Lighting Systems Italy S.p.A.	€	₹ in millions	84.36	299.39	-	722.05	2,582.12	1,560.67	463.38	1,547.75	19.19	(34.54)	53.73	-	100%
Varroc Lighting Systems Romania S.A	LEU	₹ in millions	17.15	116.29	-	24.87	516.96	375.80	-	493.08	(85.06)	(6.38)	(78.68)	-	98.23%
Varroc Lighting Systems Vietnam Co. Ltd.	VND	₹ in millions	0.003116	67.97	-	385.81	907.13	453.36	-	1,532.97	252.42	42.97	209.45	-	100%
Varroc Lighting Systems Electronics Romania SRL (earlier known as Varroc Elba Electronics SRL) (Refer note 3)	€	₹ in millions	84.36	166.17	-	(141.38)	688.09	663.29	-	189.45	(67.30)	-	(67.30)	-	100%

Note:

1) Reporting period for Varroc Lighting Systemes S.de.R.L.de.C.V. is January to December. For all other entities, the same is April - March.
2) Investment shown at fair value net of provision, where applicable.
3) Varroc-Elba Electronics S.R.L, Romania has became subsidiary w.e.f. December 08, 2020.

(B) ASSOCIATES AND JOINT VENTURES

Name of Associates/ Joint Ventures	Latest Audited Balance Sheet Date	Share of Associates / Joint Ventures held by the Company year end			Networth Attributable to Shareholding as per latest Balance sheet (₹ in million)	Profit/loss for the year		Description of how there is significant influence	Reason why the Associate/joint Venture is not consolidated
		No.	Amount of Investment in Associates/joint venture (₹ in million)	Extent of Holding %		Consider in consolidation (₹ in million)	Not Consider in Consolidation (₹ in million)		
1. Nuova CTS Italy	31-03-2021	25,000.00	84.36	50%	89.18	11.50	11.50	-	Consolidated as per equity method
2. Varroc TYC, BVI		-	-	-	-	-	-	NA	Refer note-2
3. Varroc TYC Auto Lamps Co. Ltd., China	31-12-2020	109,459,427.00	1,180.89	50%	3,651.70	405.34	405.34	-	Consolidated as per equity method
4. Varroc-Elba Electronics S.R.L		-	-	70%	-	(73.10)	(31.33)	-	Refer note-3
5. Varroc Dell'Orto Private Limited	31-03-2021	1,525,000.00	15.25	50%	21.37	12.55	12.55	-	Consolidated as per equity method

Note:

1) Reporting period for Varroc TYC Auto Lamps Co. Ltd., Varroc TYC, BVI and Varroc TYC Auto Lamps CQ China, is January to December. For all other entities, the same is April - March.
2) There is no significant operation based on materiality.
3) For Varroc-Elba Electronics S.R.L transaction upto December 08, 2020 is considered. Varroc-Elba Electronics S.R.L, Romania has became subsidiary w.e.f. December 08, 2020 and the same is disclosed in Form AOC - 1, Part A - Details of Subsidiaries.

For and on behalf of the Board of Directors

Tarang Jain
Chairman & Managing Director
(DIN: 00027505)
Place: Pune

Arjun Jain
Whole Time Director
(DIN: 07228175)
Place: Pune

Tharuvai R. Srinivasan
Group CFO
Place: Chennai

Ajay Kumar Sharma
Company Secretary
(Membership No.: ACS 9127)
Place: Pune

Date: June 04, 2021

Notice to Members

NOTICE is hereby given that the 33rd Annual General Meeting of the Members of Varroc Engineering Limited will be held on Wednesday, August 25, 2021 at 11:00 a.m. through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM") to transact, the following business. The venue of the meeting shall be deemed to be Registered office of the Company situated at L-4, MIDC Industrial Area, Waluj, Aurangabad - 431 136, Maharashtra, India:

ORDINARY BUSINESS:

1. **To receive, consider and adopt:**

   (a) the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2021, and the reports of the Board of Directors and Auditors thereon and in this regard, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT the Audited Standalone Financial Statements of the Company for the Financial Year ended March 31, 2021, along with reports of the Board of Directors and Independent Auditors thereon as circulated to the Members, be and are hereby received, considered, approved and adopted."

   (b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2021, and the report of the Auditors thereon and in this regard, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT the Audited Consolidated Financial Statements of the Company for the Financial Year ended March 31, 2021, along with report of the Independent Auditors thereon as circulated to the Members, be and are hereby received, considered, approved and adopted."

2. To appoint Mr. Arjun Jain as a Director who retires by rotation and being eligible, offers himself for re-appointment and in this regard, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Arjun Jain (DIN: 07228175), who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment, be and is hereby re-appointed as Director of the Company, liable to retire by rotation."

SPECIAL BUSINESS:

3. **Approval for payment of remuneration to Mr. Tarang Jain, Chairman and Managing Director**

   To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 (the "Act") read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with Schedule V of the Companies Act, 2013, and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and disclosure Requirements) Regulations, 2015 (including any statutory modification or amendment(s) thereto or re-enactment thereof for the time being in force)approval/ratification of the members be and is hereby accorded for payment of remuneration to Mr. Tarang Jain, Chairman and Managing Director of the Company for a remaining period of two years commenced from February 6, 2021 up to February 5, 2023 as under:

   1. **BASIC SALARY**

      Basic Salary in the scale of ₹26,00,000/- to ₹35,00,000/- per month, with power to grant annual increment by the Board of Directors as they may deem fit, based on the recommendation of the Nomination and Remuneration Committee.

      Monthly Basic Salary of ₹26,13,600/- effective for FY2022 with power to the Board of Directors to grant such annual increments as it may deem fit.

   2. **ALLOWANCES**

      Total allowance of ₹17,42,400/- payable monthly.

   3. **PERQUISITES**

      A. Health Insurance Policy for Managing Director, spouse and dependent children, premium whereof shall not exceed ₹10,00,000/- per annum and/or reimbursement of medical expenses incurred in India for self, spouse and dependent children, where no cashless facility is available.

      B. Payment/re-imbursement of medical expenses if any, incurred abroad for self, spouse and dependent children including hospitalisation, nursing home and surgical charges, air-fare, boarding/lodging for patient and attendant.

      C. Payment/Reimbursement of membership fees (including life membership) for two clubs.

      D. Payment/Reimbursement of membership fees (including life membership) for three credit cards.

      E. Furnishings (soft as well as hard) not exceeding ₹75,00,000/- for each Financial Year as per income tax rules.

      F. Provision of car with Driver for official as well as personal use.

      G. Provisions of telephone, Telefax and other communication facilities at residence for personal and official use.

      H. Provision for services of security, labor, gardener, sweeper and such other personnel as may be required for the maintenance and upkeep at his residence subject to a ceiling of one-month basic salary per annum.

      I. Contribution towards Provident Fund as per the rules of the Company.

      J. Gratuity as per rules of the Company.

      K. Payment / Re-imbursement of entertainment expenses incurred in the course of business of the Company.

      L. Leave with full pay as per Rules of the Company; un-availed leave shall not be uncashed.

      M. Other benefits as may be applicable to Senior Executives of the Company.

   4. **VALUATION OF PERQUISITES, ETC.**

      The perquisites/allowances shall be valued as per the Income-tax Rules, wherever applicable, in the absence of such rules, perquisites/ allowances shall be valued at actual cost.

   5. **VARIABLE PAY**

      The variable pay will be decided at the end of the year based on the net profit of the Company and considering the overall permissible statutory limits for managerial remuneration.

   6. **LONG TERM INCENTIVE (LTI) as per the policy of the Company**

      The perquisites/allowances shall be valued as per the Income-tax Rules, wherever applicable, in the absence of such rules, perquisites/ allowances shall be valued at actual cost. Provided that the total annual remuneration (including annual increments) payable to Mr. Tarang Jain shall not exceed Rupees Fifteen crore during the tenure for which remuneration is approved. PROVIDED FURTHER THAT the limits referred to herein shall not apply to those components of his perquisites which, as per Company Policy in force from time to time, are reimbursable at actuals;"

      "RESOLVED FURTHER THAT the remuneration including benefits, amenities and perquisites as set out above shall nevertheless be paid and allowed to Mr. Tarang Jain as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such year, subject to the provisions prescribed under Section 197 read with Schedule V to the Companies Act, 2013 and rules framed thereunder and any other applicable provisions of the Act or any statutory modification or re-enactment thereof if and to the extent necessary, with the approval of the Central Government."

"**RESOLVED FURTHER THAT** save and except as aforesaid, all other terms and conditions of appointment approved vide the Special Resolution passed by the Members on February 13, 2018 with respect to the appointment of Mr. Tarang Jain, as Managing Director and which are not dealt with in this Resolution, shall continue to remain in full force and effect."

"**RESOLVED FURTHER THAT** any Director of the Company and / or Company Secretary of the Company be and are hereby severally authorised to do all the acts, deeds and things which are necessary for the payment of remuneration to Mr. Tarang Jain as Chairman and Managing Director of the Company, including filing of necessary forms with the Regulatory Authorities and executing and signing all relevant documents, agreements, certificates etc., as may be required in order to give effect to these Resolutions."

4. **Approval for payment of remuneration to Mr. Arjun Jain, Whole Time Director**
To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198, 203 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 read with Schedule V of the Companies Act, 2013, and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and disclosure Requirements) Regulations, 2015 (including any statutory modification or amendment(s) thereto or re-enactment thereof for the time being in force) approval of the members be and is hereby accorded for terms of remuneration payable to Mr. Arjun Jain, Whole Time Director of the Company w.e.f. April 1, 2021 and for the further remaining period of two years commencing from August 7, 2021 up to August 6, 2023 as under:

A. BASIC SALARY
Basic Salary in the scale of ₹3,00,000/- to ₹5,00,000/- per month, with power to grant annual increment by the Board of Directors as they may deem fit, based on the recommendation of Nomination and Remuneration Committee. For the current Financial Year 2021-22, Mr. Arjun Jain draws basic salary of ₹3,85,926/- per month.

B. ALLOWANCES

a. House Rent Allowance payable monthly, equivalent to 50% of basic salary;

b. Other allowances in the scale of ₹5,00,000/- to 7,50,000/- per month;

c. Reimbursement of Leave Travel Expenses ₹10,000 per month.

C. PERQUISITES

a. Health Insurance Policy as per the policy of the Company and/or reimbursement of medical expenses incurred in India where no cashless facility is available.

b. Payment/re-imbursement of medical expenses if any, incurred abroad including hospitalisation, nursing home and surgical charges, air-fare, boarding/lodging for patient and attendant.

c. Provision of Car with Driver for official as well as personal use.

d. Contribution towards Provident Fund as per the rules of the Company.

e. Gratuity as per rules of the Company.

f. Payment / Re-imbursement of entertainment expenses incurred in the course of business of the Company.

g. Leave with full pay as per the Rules of the Company; unavailed leave can be encashed as per the rules of the Company.

Notice to Members

h. Other benefits as may be applicable to Senior Executives of the Company.

D. VARIABLE PAY:
Based on the performance evaluation, Mr. Arjun Jain will be entitled to a variable pay equivalent to 20% of his gross salary payable at the end of the year, as per the rules of the Company.

E. LONG TERM INCENTIVE (LTI) as per the policy of the Company

F. VALUATION OF PERQUISITES, ETC.
The perquisites/allowances shall be valued as per the Income-tax Rules, wherever applicable, in the absence of such rules, perquisites/ allowances shall be valued at actual cost.

The perquisites/allowances shall be valued as per the Income-tax Rules, wherever applicable, in the absence of such rules, perquisites/ allowances shall be valued at actual cost. Provided that the total annual remuneration (including annual increments) payable to Mr. Arjun Jain shall not exceed Rupees Three crore during the tenure for which remuneration is approved. PROVIDED FURTHER THAT the limits referred to herein shall not apply to those components of his perquisites which, as per Company Policy in force from time to time, are reimbursable at actuals;"

"**RESOLVED FURTHER THAT** the remuneration including benefits, amenities and perquisites as set out above shall nevertheless be paid and allowed to Mr. Arjun Jain as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such year, subject to the provisions prescribed under Section 197 read with Schedule V to the Companies Act, 2013 and rules framed thereunder and any other applicable provisions of the Act or any statutory modification or re-enactment thereof if and to the extent necessary, with the approval of the Central Government."

"**RESOLVED FURTHER THAT** save and except as aforesaid, all other terms and conditions of appointment approved vide the Special Resolution passed by the Members on September 5, 2018 with respect to the appointment of Mr. Arjun Jain, as Whole time Director and which are not dealt with in this Resolution, shall continue to remain in full force and effect."

"**RESOLVED FURTHER THAT** any Director of the Company and / or Company Secretary of the Company be and are hereby severally authorised to do all the acts, deeds and things which are necessary for the payment of remuneration to Mr. Arjun Jain as Whole-time Director of the Company, including filing of necessary forms with the Regulatory Authorities and executing and signing all relevant documents, agreements, certificates etc., as may be required in order to give effect to these Resolutions."

5. **Payment of commission to Non-Executive Directors of the Company**
To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to the provisions of Sections 149(9), 197, 198 and other applicable provisions, if any, of the Companies Act, 2013 (the "Act") and the rules thereunder (including any statutory modification or amendment(s) thereto or re-enactment thereof for the time being in force), Regulation 17(6)(a) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, approval of the members of the Company, be and is hereby accorded for the payment of commission to the Non-Executive Directors of the Company to be determined by the Board of Directors within the overall maximum limit of 1% (one percent) of the Net Profits of the Company for that Financial Year computed in accordance with the provisions of Section 198 of the Act or such other percentage as may be specified by the Act from time to time in this regard for each Financial Year, for a period of five Financial Years commencing from April 1, 2022 up to and including Financial Year ending on March 31, 2027, in addition to the sitting fees and reimbursement of expenses being paid by the Company for participating in the Board/Committee Meetings of the Company, PROVIDED HOWEVER THAT the aggregate commission paid to all Non-Executive Directors of the Company (including Independent Directors but excluding Nominee Directors) shall not exceed ₹1,50,00,000/- (Rupees One Crore Fifty Lakh only) for or in respect of a Financial Year."

"RESOLVED FURTHER THAT any Director of the Company and / or Company Secretary of the Company be and are hereby severally authorised to do all the acts, deeds and things which are necessary in order to give effect to the aforesaid Resolution including filing of necessary forms with the Regulatory Authorities and executing and signing all relevant documents, agreements, certificates etc., as may be required in order to give effect to these Resolutions."

6. Re-classification of the Authorised Share Capital and consequent amendment to Memorandum of Association of the Company

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 13,61 and other applicable provisions, if any, of the Companies Act 2013 read with the Companies (Share Capital and Debenture) Rules, 2014, (including any statutory modification or amendment(s) thereto or re-enactment thereof for the time being in force), applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015) and the provisions of Memorandum of Association and Articles of Association of the Company and subject to such other approvals, consent, permissions and sanctions as may be necessary from the appropriate authorities or bodies, consent of the members of the Company be and is hereby accorded for reclassifying the existing Authorised Share Capital of the Company by way of the sub-division of each of the Equity Share of the Company having a Face Value of ₹10/- each into 10 (Ten) Equity Shares having a Face Value of ₹1/- each ("Sub-division);

"RESOLVED FURTHER THAT after Sub-division, Clause V(1)(a) of the Memorandum of Association of the Company be and is hereby altered and substituted as follows:

The Authorised Share Capital of the Company is ₹50,45,00,000/- (Rupees Fifty Crore Forty-Five Lakhs only) comprising of:

(a) ₹25,45,00,000 (Rupees Twenty-Five Crore and Forty-Five Lakhs only) divided into 25,45,00,000 Equity Shares of ₹1 /- each;

(b) ₹25,00,00,000 (Rupees Twenty-Five Crore only) divided into 25,00,00,000 Preference Shares of ₹1 /- each.

with power to increase or reduce the Capital of the Company and to consolidate or divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be for the time being provided by the Articles of Association of the Company."

"RESOLVED FURTHER THAT approval of the Company be accorded to the Board of Directors of the Company (including any Committee thereof) to do all such acts, deeds, matters and things to take all such steps as may be required in this connection including seeking all necessary approvals to give effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard and further to execute all necessary documents, applications, returns and writings as may be necessary, proper, desirable or expedient."

Notice to Members

7. Ratification of remuneration of Cost Auditor

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions Section 148 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification or amendment(s) thereto or re-enactment thereof for the time being in force), M/s. S. R. Bhargave & Co., Cost Accountants (Firm Registration No. M - 000218) appointed by the Board of Directors of the Company, to conduct audit of the Cost Records of the Company for the Financial Year ending March 31, 2022 or extended Financial Year as may be decided by the Board, be paid the remuneration of ₹6,00,000 (Rupees Six Lakh only) and applicable taxes thereon and reimbursement of out of pocket expenses, if any for the Financial Year ending on March 31, 2022.

"RESOLVED FURTHER THAT any Director, Group Chief Financial Officer or Company Secretary of the Company be and are hereby severally authorised to do all acts, deeds and things as may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

8. Issue of Non-Convertible Debentures on Private Placement Basis

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act'), read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 [including any statutory modification(s) or amendment(s) thereto or re-enactment(s) thereof for the time being in force], and subject to the provisions of the Articles of Association of the Company and subject to compliance with such other provisions of law as may be applicable, approval of the Members be and is hereby accorded to the Board of Directors of the Company ('the Board', which term shall include its duly empowered Committee(s) constituted/to be constituted by it for this purpose), to offer or invite subscriptions for Secured/Unsecured Non-Convertible Debentures ('Debentures'), of an amount not exceeding ₹500 crore (Rupees Five Hundred Crore only) in one or more series/ tranches, on Private Placement Basis, on such terms and conditions as the Board may, from time to time, determine and consider proper and most beneficial to the Company, including as to when the Debentures be issued, the consideration for the issue, utilisation of the issue proceeds and all matters connected therewith or incidental thereto PROVIDED THAT the total amount that may be so raised in the aggregate, by such offer or invitation for subscriptions of the Debentures, and outstanding at any point of time, shall be within the overall borrowing limit as approved by the Members under Section 180(1) (c) of the Act;

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to do all such acts, deeds, matters and things as may be necessary or expedient for or in connection with this Resolution and to settle any question or difficulty that may arise in this regard in the best interest of the Company."

By Order of the Board of Directors
For **Varroc Engineering Limited**

Ajay Sharma
Group General Counsel and
Company Secretary
ACS: 9127

Place: Pune
Date: June 4, 2021

Notes:

1. In view of the outbreak of COVID-19 pandemic and its continuation in the current year, the Ministry of Corporate Affairs ("MCA") vide its Circular dated January 13, 2021 read with Circulars dated May 5, 2020, April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/ HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, and SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 have permitted convening

of the Annual General Meeting ("AGM") through Video Conference/ Other Audio Visual Means, without the physical presence of the Members at a common venue.

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Circulars issued by MCA and SEBI, 33rd AGM of the Company is being held through VC / OAVM. National Securities Depositories Limited ('NSDL') will be providing facility for remote e-voting, participation in the AGM through VC / OAVM and e-voting during the AGM.

2. The Board of Directors, at their meeting held on June 4, 2021, has decided that the Special Business as set out under item nos. 3 to 8, being considered unavoidable, be transacted at the 33rd AGM of the Company. Further, Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 is annexed hereto and forms part of this Notice.

3. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his /her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA circulars through VC/OAVM, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. However, the Body Corporates are entitled to appoint Authorised Representatives to attend the AGM through VC/ OAVM and participate thereat and cast their votes through e-voting. Since the AGM will be conducted through VC / OAVM, Proxy Form and Attendance Slip including Route Map are not annexed to this Notice.

4. Institutional / Corporate Members (i.e., other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/ Authorisation etc., authorising its representative to attend the AGM through VC / OAVM and vote on its behalf. The said Resolution/Authorisation shall be sent to the Company at investors@varroc.com or to Link Intime India Pvt Ltd, Registrar and Share Transfer Agent at rnt.helpdesk@linkintime.co.in with a copy marked to evoting@nsdl.co.in.

5. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

6. Explanatory statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Business to be transacted at the AGM and the details as required under the Regulations 36(3) of the Listing Regulations and Secretarial Standard on General Meetings (SS- 2) issued by the Institute of Company Secretaries of India, in respect of Director seeking re-appointment at this AGM is annexed herewith.

Dispatch of Annual Report through Email and Registration of Email ids

7. In compliance with the aforesaid MCA Circulars and SEBI Circulars and owing to the difficulties involved in dispatching of physical copies of the Financial Statements including Board's Report, Auditor's report or other documents required to be attached therewith (together referred to as Annual Report), the Annual Report for FY2021 and Notice of AGM are being sent in electronic mode to Members whose e-mail address is registered with the Company or the Depository Participant(s).

8. Members holding shares in dematerialised mode are requested to register / update their email addresses with their Depository Participants or alternatively, temporarily register/update their email addresses with the Company by writing to the Company's Registrar and Share Transfer Agent, Link Intime India Pvt Ltd at rnt.helpdesk@linkintime.co.in. Members are requested to submit request letter mentioning the DP id and Client id. and Name of Member and self-attested copy of PAN card for updation of email address.

9. The Notice of AGM along with Annual Report for FY2021, is available on the website of the Company at www.varroc.com, on the website of Stock Exchanges i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of NSDL at www.evoting.nsdl.com

Notice to Members

Instructions for Members for attending the AGM through VC/OAVM are as under:

10. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under **"Join General meeting"** menu against name of the Company. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/ Member login where the EVEN of Company will be displayed. On clicking this link, the Members will be able to attend and participate in the proceedings of the AGM through a live webcast of the meeting and submit votes on announcement by the Chairman.

11. Members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

12. Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. Members are requested to join the Meeting through Laptops for better experience and will be required to allow camera and use internet with a good speed to avoid any disturbance during the meeting. Please note that participants connecting from Mobile Devices or Tablets or through Laptop connected via mobile hotspot may experience audio/ video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of glitches.

13. Members may note that the VC / OAVM facility, provided by NSDL, allows participation of at least 1,000 Members on a first-come-first-served basis. The large Members (i.e. shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors, etc. can attend the AGM without any restriction on account of first-come-first-served principle.

14. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in/ 1800-222-990 and 1800 22 44 30.

Procedure to raise questions / seek clarifications with respect to Annual Report:

15. As the AGM is being conducted through VC / OAVM, members are encouraged to express their views / send their queries in advance mentioning their name, DP Id and Client Id, e-mail id, mobile number at investors@varroc.com to enable smooth conduct of proceedings at the AGM. Questions / Queries received by the Company on or before Wednesday, August 18, 2021, on the aforementioned e-mail id shall only be considered and responded to during the AGM.

16. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, DP Id and Client Id, PAN, mobile number at investors@varroc.com on or before Wednesday, August 18, 2021. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. Speakers are requested to submit their questions at the time of registration, to enable the Company to respond appropriately.

17. The Company reserves the right to restrict the number of questions and number of speakers, as appropriate depending on the availability of time for the AGM, to ensure the smooth conduct of the AGM.

18. Procedure for Remote e-voting and e-voting during the AGM:-

In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, Regulation 44 of the Listing Regulations and in terms of SEBI vide circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 in relation to e-Voting Facility Provided by Listed

Entities, the Members are provided with the facility to cast their vote electronically, through the e-Voting services provided by NSDL, on all the Resolutions set forth in this Notice.

The Members, whose names appear in the Beneficial Owners as on the Record Date (Cut-off date) i.e. Wednesday, August 18, 2021, may cast their vote electronically. The voting right of Shareholders shall be in proportion to their share in the Paid-up Equity Share Capital of the Company as on the Cut-off date, being Wednesday, August 18, 2021.

The remote e-voting period begins on

Commencement of Remote e-voting	9:00 a.m. (IST) on Sunday, August 22, 2021
Conclusion of Remote e-voting	5:00 p.m. (IST) on Tuesday, August 24, 2021

The Remote e-voting shall not be allowed beyond the aforesaid date and time and the Remote e-voting module shall be disabled by NSDL for voting thereafter.

The details of the process and manner for remote e-Voting are explained herein below:

Step 1: Access to NSDL e-Voting system

Step 2: Cast your vote electronically and join virtual meeting on NSDL e-Voting system.

Details on Step 1 are mentioned below:

Step 1: Access to NSDL e-Voting system

A) Login method for Remote e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated December 9, 2020, on "e-voting facility provided by Listed Companies", Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-Voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process.

Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Notice to Members

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	**A. NSDL IDeAS facility** 1. Existing **IDeAS** user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the **"Beneficial Owner"** icon under **"Login"** which is available under **'IDeAS'** section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on **"Access to e-Voting"** under e-Voting services and you will be able to see e-Voting page. Click on Company name or **e-Voting service provider** i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS Portal"** or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp **B. e-Voting website of NSDL** 1. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. 2. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on Company name or **e-Voting service provider i.e. NSDL** and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. **C. e-Voting website of NSDL Mobile App** 1. Shareholders/Members can also download NSDL Mobile App **"NSDL Speede"** facility by scanning the QR code mentioned below for seamless voting experience. NSDL Mobile App is available on App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on **NSDL** to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. **NSDL** where the e-Voting is in progress.
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on Company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43

B) Login Method for e-Voting and joining virtual meeting for Shareholders other than Individual Shareholders holding securities in demat mode and Shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.

3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the Company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for shareholders other than Individual shareholders are given below:
   a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

      (i) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      (ii) If your email ID is not registered, please follow steps mentioned below in **process for those Shareholders whose email ids are not registered.**

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

   a) Click on **"Forgot User Details/ Password?"**(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) **Physical User Reset Password?"** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/ OAVM" link placed under "Join General Meeting".

3. Now you are ready for e-Voting as the Voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

   5. Upon confirmation, the message "Vote cast successfully" will be displayed.

   6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

   7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Procedure for E- Voting on the day of the AGM:

i. Only those members who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions by remote e-voting prior to the AGM shall be entitled to cast their vote through the e-voting system at the AGM.

ii. The procedure for e-voting on the day of the AGM is the same as the instructions mentioned above for Remote e-voting.

iii. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

GENERAL INFORMATION FOR MEMBERS

19. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on https://www.evoting.nsdl.com/ to reset the password.

20. In case of any queries relating to e-voting you may refer to the FAQs for Members and e-voting user manual for Members available at the download section of https://www.evoting.nsdl.com/ or call on toll free no.: 1800-222-990 /1800 22 44 30. or send a request at evoting@nsdl.co.in. In case of any grievances connected with facility for remote e-voting or e-voting at the AGM, please contact Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Email: evoting@nsdl.co.in Tel: 1800-222-990/ 1800 22 44 30.

21. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the Cut-off date i.e., Wednesday, August 18, 2021 may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote.

22. The Company has appointed Mrs. Uma Lodha, Practicing Company Secretary (Membership No. FCS 5363) has been appointed as the scrutiniser to scrutinise the e-voting process in a fair and transparent manner.

23. The Scrutiniser shall, immediately after the conclusion of e-voting at the AGM, unblock the votes cast through Remote e-voting and e-voting at the AGM and submit, not later than 48 hours of conclusion of the AGM, a consolidated Scrutiniser's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.

24. The result declared along with the Scrutiniser's Report shall be placed on the Company's website: www.varroc.com and on NSDL's website: https://www.evoting.nsdl.com immediately. The Company shall simultaneously forward the results to National Stock Exchange of India Limited and BSE Limited, where the shares of the Company are listed.

Procedure for inspection of documents:

25. All the documents referred to in the accompanying Notice shall be available for inspection at the Registered Office of the Company situated at Plot No: L-4, MIDC Industrial Area, Waluj, Aurangabad - 431 136 (M.S.) from Monday to Friday from 10:00 a.m. to 12:00 Noon, except holidays, up to the date of the AGM and through electronic mode, basis the request being sent on investors@varroc.com.

26. During the AGM, the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or arrangements in which Directors are interested under Section 189 of the Act along with Documents referred to in the notice and the Explanatory Statement will be kept open for inspection by the members upon login at NSDL e-voting system at https://www.evoting.nsdl.com.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF) RELATED INFORMATION:

27. Pursuant to the provisions of Section 124 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules') including any statutory modification(s) or re-enactment thereof for the time being in force, as of now no dividend for the Financial Year ended March 31, 2014 and onwards, which is unpaid or unclaimed for a period of seven (7) years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to Investor Education and Protection Fund (IEPF).

28. Members who have so far not yet claimed their dividend for the previous years are advised to submit their claim to the Company's Registrar and Transfer Agent at their address given herein below, quoting their DP Id and Client Id:

Link Intime India Private Limited
Unit : Varroc Engineering Limited
C-101,1st Floor,247 Park, LBS Marg
Vikhroli West, Mumbai – 400 083 (M.S.)
Tel:- +91 22 49186270
Fax: - +91 22 49186060
E-mail: - rnt.helpdesk@linkintime.co.in

29. The details of unpaid and unclaimed amounts lying with the Company as on March 31, 2021 is available on the website of the Company www.varroc.com.

OTHER INFORMATION:

30. To prevent fraudulent transactions, members are advised to exercise due diligence and notify any change in information to Registrar and Share Transfer Agent or Company as soon as possible. Members are also advised not to leave their Demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

31. Members holding shares in dematerialised form may please note that, while opening a depository account with Participants they may have given their bank account details. However, if Members want to change/correct the bank account details, they should send the same immediately to the Depository Participant concerned. Members are also requested to give the MICR code of their bank to their Depository Participant. The Company will not entertain any direct request from Members for cancellation/change in the bank account details furnished by Depository Participants to the Company.

32. The SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in Securities Market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their Demat accounts.

33. Pursuant to Section 72 of the Companies Act, 2013, Members who hold shares in single name are advised, in their

own interest, to avail of the nomination facility. Such Members may contact their Depository Participant for recording the nomination in respect of their holdings.

34. All documents, requests and other communications in relation thereto should be addressed directly to the Company's Registrar and Transfer Agent, Link Intime India Private Limited, at the address mentioned below:

    Link Intime India Private Limited
    Unit : Varroc Engineering Limited
    C-101,1st Floor,247 Park, LBS Marg
    Vikhroli West, Mumbai – 400 083 (M.S.)
    Tel:- +91 22 49186270
    Fax: - +91 22 49186060
    E-mail: - rnt.helpdesk@linkintime.co.in

35. Pursuant to provisions of the Listing Regulations, the Company is maintaining an E-mail Id: investors@varroc.com exclusively for quick redressal of members/ investors grievances.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.3

Approval for payment of remuneration to Mr. Tarang Jain, Chairman and Managing Director

The shareholders of the Company at the Extra-ordinary General Meeting held on February 13, 2018 approved the re-appointment of Mr. Tarang Jain (DIN 00027505) as Managing Director of the Company for a period of 5 years w.e.f. February 6, 2018 and remuneration payable to him for a period of 3 years i.e. from February 6, 2018 to February 5, 2021. Further, he was designated as the Chairman and Managing Director w.e.f. November 10, 2020. Approval of the Members is sought for ratification of remuneration paid/remuneration payable for the remaining period of existing appointment which has commenced from February 6, 2021 to Mr. Tarang Jain as Chairman and Managing Director of the Company.

In accordance with the Schedule V and other applicable provisions of the Companies Act, 2013, on the recommendation made by the Nomination and Remuneration Committee of the Company at its meeting held on June 4, 2021, the Board of Directors of the Company at its meeting held on even date has approved the payment of remuneration as detailed in the Resolution, subject to such other approvals as may be necessary, as minimum remuneration to Mr. Tarang Jain in the absence or inadequacy of profits in any Financial Year(s) during his remaining tenure i.e. February 6, 2021 to February 5, 2023.

The terms of remuneration of Mr. Tarang Jain, Chairman and Managing Director are in accordance with the Nomination and Remuneration Policy of the Company. Other details pursuant to Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and clause 1.2.5 of the Secretarial Standard – 2 are given in the Annexure I. The statement as required under Section II, Part II of the Schedule V of the Companies Act, 2013 with reference to Special Resolution at Item No. 3 is annexed hereto as Annexure II.

Mr. Tarang Jain shall be considered as interested or concerned in the said Resolution. In addition, Mr. Naresh Chandra, Mrs. Suman Jain, Mr. Arjun Jain and Mr. Dhruv Jain, who are holding shares in the Company or are holding beneficial interest in the shares of the Company, shall be considered as interested or concerned in the above resolution as relatives of Mr. Tarang Jain.

Except as stated above, none of the other Directors or Key Managerial Persons of the Company or their respective relatives, are in any way, financially or otherwise, concerned or interested in the passing of the resolution set out at Item No. 3 of the Notice.

The Board recommends the Special Resolution set out at Item No. 3 of the Notice for approval of the Members.

Item No.4

The Shareholders of the Company at the Annual General Meeting held on September 5, 2018 approved the appointment of Mr. Arjun Jain (DIN: 07228175) as Whole Time Director of the Company for a period of 5 years w.e.f. August 7, 2018 and remuneration payable to him for a period of 3 years i.e. from August 7, 2018 to August 6, 2021. The approval of the Members pursuant to Section 197(1) of the Companies Act, 2013, as amended from time to time is now sought for the remuneration payable to Mr. Arjun Jain w.e.f. April 1, 2021, and for the

Notice to Members

remaining tenure commencing from August 7, 2021 to August 6, 2023.

In accordance with the Schedule V and other applicable provisions of the Companies Act, 2013, on the recommendation made by the Nomination and Remuneration Committee of the Company at its meeting held on June 4, 2021, the Board of Directors of the Company at its meeting held on even date has approved the payment of remuneration as detailed in the Resolution, subject to such other approvals as may be necessary, as minimum remuneration to Mr. Arjun Jain in the absence or inadequacy of profits in any Financial Year(s) during his remaining tenure i.e. August 7, 2021 to August 6, 2023.

The terms of remuneration of Mr. Arjun Jain, Whole Time Director are in accordance with the Nomination and Remuneration Policy of the Company.

Other details pursuant to Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and clause 1.2.5 of the Secretarial Standard – 2 are given in the Annexure I. The statement as required under Section II, Part II of the Schedule V of the Companies Act, 2013 with reference to Special Resolution at Item No. 4 is annexed hereto as Annexure II.

Mr. Arjun Jain shall be considered as interested or concerned in the said Resolution. In addition, Mr. Naresh Chandra, Mrs. Suman Jain, Mr. Tarang Jain and Mr. Dhruv Jain, who are holding shares in the Company or are holding beneficial interest in the shares of the Company, shall be considered as interested or concerned in the above Resolution as relatives of Mr. Arjun Jain.

Except as stated above, none of the other Directors or Key Managerial Persons of the Company or their respective relatives, are in any way, financially or otherwise, concerned or interested in the passing of the resolution set out at Item No. 4 of the Notice.

The Board recommends the Special Resolution set out at Item No. 4 of the Notice for approval of the Members.

Item No.5

Payment of commission to Non-Executive Directors of the Company

The members of the Company at their 29th Annual General Meeting held on August 29, 2017 had approved payment of profit related commission of a sum not exceeding in aggregate one percent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Companies Act, 2013 for the relevant Financial Year subject to a maximum of ₹1.5 crore, in aggregate. The said approval is valid up to Financial Year ending on March 31, 2022.

Section 197 of the Act read with Regulation 17(6)(a) of Listing Regulations, inter alia, provides that a Director who is neither Managing Director nor Whole-time Director may be paid remuneration by way of commission, if the Company by Ordinary Resolution, authorises such payment.

The members of the Company have appointed Non-Executive Directors on the Board whose experience and expertise in the field of business, management and Corporate affairs is of immense help to the Board. The involvement of Non-Executive Directors of the Company has increased over the years and they contribute significantly to the growth of the Company as well as sound corporate governance practices by bringing with them professional expertise, rich and wide experience. The Board of Directors are of the opinion that in order to remunerate the Non- Executive Directors of the Company for the responsibilities entrusted upon them under the law, particularly under the Act and Listing Regulations, the current trends and commensurate with the time devoted and the contribution made by them, commission be paid to the Non-Executive Directors of the Company.

The Board of Directors at its meeting held on June 4, 2021 has recommended the payment of commission to Non- Executive Directors (including Independent Directors but excluding Nominee Directors) of the Company not exceeding 1% of the Net Profits of the Company in terms of Section 197 of the Act, computed in accordance with the provisions of Section 198 of the Act or such other percentage as may be specified from time to time and up to a maximum limit of ₹1.5 crore, in aggregate, for a period of 5 (five) years commencing from April 1, 2022 up to and including the Financial Year ending on March 31, 2027.

The above commission shall be in addition to the sitting fees and reimbursement of expenses being paid by the Company for participating in the Board/ Committee Meetings of the Company.

Except Mr. Gautam Khandelwal, Mr. Marc Szulewicz, Mrs. Vijaya Sampath and Mr. Vinish Kathuria and their relatives, none of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in this Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval of the Members.

ITEM NO.6

Re-classification of the Authorised Share Capital and consequent amendment to Memorandum of Association of the Company

Pursuant to the order dated November 2, 2020 received from National Company Law Tribunal, Mumbai Bench ('NCLT') and in accordance with the Scheme of Amalgamation of Varroc Lighting Systems (India) Private Limited ("VLSIPL") with Varroc Engineering Limited and their respective Shareholders, upon the Scheme becoming effective from December 7, 2020, the Authorised Share Capital of the Company was increased from ₹50,00,00,000 to ₹50,45,00,000 and the Clause V(1)(a) of Memorandum of Association was substituted as under:

The Authorised Share Capital of the Company is ₹50,45,00,000/- (Rupees Fifty Crore Forty-Five Lakhs only) comprising of:

a. ₹25,00,00,000 (Rupees Twenty-Five Crore only) divided into 25,00,00,000 equity shares of ₹1 each;

b. ₹45,00,000 (Rupees Forty-Five Lakhs only) divided into 4,50,000 Equity Shares of ₹10 each; and

c. ₹25,00,00,000 (Rupees Twenty-Five Crore only) divided into 25,00,00,000 Preference Shares of ₹1 each

The Board of Directors at its meeting held on June 4, 2021, recommended reclassification of the existing Authorised Share Capital of the Company by way of sub-division of the face value of 4,50,000 Equity Share of ₹10/- (Rupees Ten only) each into 45,00,000 equity shares of ₹1/- (Rupee One only) each. The proposed re-classification does not result in any change in the voting percentage of the Shareholders.

Accordingly, pursuant to the provisions of Section 13 and 61 of the Companies Act, 2013 approval of the members is sought for reclassification of Authorised Share Capital by way of sub-division of Equity Shares of ₹10/- each into Equity Shares of ₹1/- each and consequent amendment to Clause V(1)(a) of the Memorandum of Association of the Company.

A copy of amended MOA of the Company would be available for inspection of the members at the Registered Office of the Company during the business hours on any working day.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No.6 of the Notice for approval of the Members.

ITEM NO.7

Ratification of remuneration payable to Cost Auditors

The Board of Directors, on the recommendation of the Audit Committee has approved the appointment and remuneration of M/s. S. R. Bhargave & Co., Cost Accountants, as Cost Auditors of the Company for auditing the Cost Records of the Company relating to the products of the Company, as applicable, for the FY2022, at a remuneration of ₹6,00,000 (Rupees Six Lakh only) and applicable rate of taxes and reimbursement of out of pocket expenses, if any at actuals. In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors as recommended by the Audit Committee and as approved by the Board of Directors, has to be ratified by the Members of the Company.

M/s. S. R. Bhargave & Co. have furnished a certificate regarding their eligibility for appointment as Cost Auditors of the Company. They have vast experience

in the field of Cost Audit and have conducted the audit of the Cost Records of the Company for previous years under the provisions of the Act.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

The Board of Directors recommends Ordinary Resolution as set out at item No.7 of the Notice, for ratification of the Cost Auditors' remuneration by the Members of the Company.

ITEM NO.8

Issue of Non-Convertible Debentures on Private Placement Basis

In terms of Sections 42 and 71 of the Companies Act, 2013 ('the Act') read with Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, in case an offer of or invitation to subscribe to Non-Convertible Debentures ('NCDs') is made by the Company on a Private Placement Basis, the Company is required to seek the prior approval of its members by means of a Special Resolution, on an annual basis for all the offers or invitations for such Debentures during the year.

For the purpose of availing financial assistance (including borrowings) for its business operations, the Company may offer or invite subscription to Secured/Unsecured NCDs on Private Placement Basis (within the meaning of Section 42 of the Act) of an amount not exceeding ₹500 crore (Rupees Five Hundred Crore only) in one or more series/ tranches.

The issue price and rate of interest depends, inter alia, on the market rates, tenor and security. In case of secured NCDs, security proposed to be offered would be by way of mortgage over the identified immoveable property(ies) of the Company and additionally by way of hypothecation of movable fixed assets and current assets of the Company. The NCDs will be issued on Private Placement Basis in accordance with the provisions of the Companies Act, 2013 and relevant SEBI guidelines. Hence, the Board of Directors seeks approval of the Members to offer or invite subscription to NCDs, within the overall borrowing limits as approved by the Members under Section 180(1) (c) of the Act, as may be required by the Company, from time to time, for a year.

None of the Directors, Key Managerial Personnel of the Company or their relatives are in any way concerned or interested, financially or otherwise, in this Resolution.

The Board recommends the Special Resolution set out at Item No. 8 of the Notice, for approval of the Members.

By Order of the Board of Directors
For **Varroc Engineering Limited**

Ajay Sharma
Group General Counsel and
Company Secretary
ACS: 9127

Place: Pune
Date: June 4, 2021

Annexure I

RELEVANT DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT/ FIXATION/ VARIATION IN REMUNERATION AS REQUIRED UNDER REGULATION 36 (3) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND SECRETARIAL STANDARDS – 2 ON GENERAL MEETINGS ISSUED BY THE INSTITUTE OF COMPANY SECRETARIES OF INDIA ARE PROVIDED HERE UNDER:

Name of the Director	Mr. Tarang Jain
Designation	Chairman and Managing Director
Age	59 years
Qualification and Experience (including expertise in specific functional area) / Brief Resume	Mr. Tarang Jain holds a bachelor's degree in commerce from Sydenham College of Commerce and Economics, University of Bombay and a diploma in business administration from the University of Lausanne, Switzerland. He has approximately 33 years of experience in the Automotive Industry. He has been associated with the Company since incorporation and was appointed as the Managing Director in the year 2001 and the Chairman of the Company in the year 2020.
Terms and Conditions for appointment	The appointment is for the period of 5 years and valid till February 5, 2023.
Date of first appointment to Board	11/05/1988
Shareholding in the Company as on March 31, 2021	6,07,29,800 Equity Shares
Disclosure of relationships between Directors inter-se;	Mr. Tarang Jain is father of Mr. Arjun Jain, Whole Time Director and is also Promoter of the Company
Number of Board meetings attended	Attended 8 out of 8 Board Meeting held during FY2021
Directorship of other Companies as on June 4, 2021*	Varroc Engineering Limited Varroc Polymers Pvt. Ltd Durovalves India Pvt. Ltd. Rudritara Properties Pvt. Ltd. Varroc Dell'Orto Pvt. Ltd. Marathwada Auto Cluster
Membership/Chairmanship of Committees of other Boards as on June 4, 2021#	Member of Audit Committee: 1. Varroc Engineering Limited 2. Durovalves India Private Limited
Remuneration proposed to be paid	As provided in the Resolution
Last drawn remuneration	During the Financial Year 2020-21, Mr. Tarang Jain has received a remuneration of ₹26.29 Mio from the Company

Name of the Director	Mr. Arjun Jain
Designation	Whole Time Director
Age	31 years
Qualification and Experience (including expertise in specific functional area) / Brief Resume	Bachelor's degree in arts from Vassar College, New York. Mr. Arjun Jain joined the Company on October 1, 2013, as the General Manager - business excellence division. He was previously associated with Bain and Company India Private Limited. He has been on the Board of the Company since August 2018.
Terms and Conditions for appointment	The appointment is for the period of 5 years and valid till August 6, 2023.
Date of first appointment to Board	07/08/2018
Shareholding in the Company as on March 31, 2021	5000
Disclosure of relationships between Directors inter-se;	Son of Mr. Tarang Jain, Chairman and Managing Director.
Number of Board meetings attended	Attended 8 out of 8 Board Meeting held during FY2021
Directorship of other Companies as on June 4, 2021*	Varroc Engineering Limited Varroc Dell'Orto Pvt. Ltd. CarIQ Technologies Pvt. Ltd.
Membership/Chairmanship of Committees of other Boards as on June 4, 2021#	Member of Stakeholders Relationship Committee: 1. Varroc Engineering Limited
Remuneration proposed to be paid	As provided in the Resolution
Last drawn remuneration	During the Financial Year 2020-21, Mr. Arjun Jain has received a remuneration of ₹10.22 Mio from the Company

* Directorship of other Companies: excluding Foreign Companies and Section 8 Companies.

\# Membership of Audit and Stakeholders Relationship Committee

By Order of the Board of Directors
For **Varroc Engineering Limited**

Ajay Sharma
Group General Counsel and
Company Secretary
ACS: 9127

Place: Pune
Date: June 4, 2021

Annexure II

THE STATEMENT CONTAINING ADDITIONAL INFORMATION AS REQUIRED IN SCHEDULE V OF THE COMPANIES ACT, 2013:

I. GENERAL INFORMATION

(1) **Nature of industry:** Manufacturing of automotive components.

(2) **Date or expected date of commencement of commercial production:** Not applicable, as the Company is an existing Company.

(3) **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:** Not Applicable

(4) **Financial performance based on given indicators:**

Amount in crores

Particulars	FY2021	FY2020	FY2019
Total Income	2673.19	2571.70	2624.64
Total Expenditure (Incl. Finance Cost, Exch. Variance, Depreciation and Tax)	2536.04	2444.14	2450.76
Profit/ (Loss) before tax*	137.15	127.56	173.87
Profit/(Loss) After tax	92.16	103.87	119.54
Earning Per Share (EPS) (In ₹)	6.82	7.70	8.87

*Excludes exceptional items.

(Figures have been regrouped/recast wherever necessary)

(5) **Foreign investments or collaborators, if any:** Till date holding companies have made foreign investment of approximately ₹1,096.61 crores in the Share Capital of overseas Subsidiaries. The Company is also having technical collaboration for manufacturing some of its products.

II. INFORMATION ABOUT THE APPOINTEES:

Particulars	Mr. Tarang Jain	Mr. Arjun Jain
Background details	Mr. Tarang Jain holds a bachelor's degree in commerce from Sydenham College of Commerce and Economics, University of Bombay and a diploma in business administration from the University of Lausanne, Switzerland. He has approximately 33 years of experience in the Automotive Industry. He has been associated with the Company since incorporation and was appointed as the Managing Director in the year 2001 and the Chairman of the Company in the year 2020.	Bachelor's degree in arts from Vassar College, New York. Mr. Arjun Jain joined the Company on October 1, 2013, as the General Manager - business excellence division. He was previously associated with Bain and Company India Private Limited. He has been on the Board of the Company since August 2018.
Past remuneration	During the Financial Year 2020-21, Mr. Tarang Jain has received a remuneration of ₹26.29 Mio from the Company.	During the Financial Year 2020-21, Mr. Arjun Jain has received a remuneration of ₹10.22 Mio from the Company.
Recognition or awards	The Company has received many awards and recognitions from Industry Association, Merchant Chambers, Suppliers and Vendors under the able leadership of Mr. Tarang Jain. The most prominent amongst the other awards, on behalf of Indian Merchant Chambers, the Ex-Chief Minister of Maharashtra, Mr. Devendra Fadnavis had felicitated and gave away the citation for 'Emerging Manufacturing Giant' to Mr. Tarang Jain, for carving a special niche in automotive components in the competitive marketplace. Mr. Tarang Jain, has also been inducted in to the 'Automotive Hall of Fame'.	-

Particulars	Mr. Tarang Jain	Mr. Arjun Jain
Job profile and his suitability	Mr. Tarang Jain is responsible for the overall management of the entire Varroc group. His qualification, outstanding experience and excellent management skills are most suitable for the responsibilities shouldered by him.	Mr. Arjun Jain is the Whole Time Director and Business Head of the Electrical – Electronics division of the Company. His qualification, outstanding experience and excellent management skills are most suitable for the responsibilities shouldered by him.
Remuneration proposed	As mentioned in the Resolution	As mentioned in the Resolution
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel 15 [or other director], if any	Mr. Tarang Jain is promoter of the Company and holds along with his relatives 75% of Paid-up Equity Capital of the Company.	Mr. Arjun Jain belong to the promoter group holds along with his relatives 75% of Paid-up Equity Capital of the Company.
Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	The remuneration offered to Mr. Tarang Jain is at par with the industry norms considering the industry, size of the Company, profile of the position and person. The proposed remuneration is in line with remuneration paid by other automobile Companies to their Whole-Time Directors/ Managing Directors/ Promoters.	The remuneration offered to Mr. Arjun Jain is at par with the industry norms considering the industry, size of the Company, profile of the position and person. The proposed remuneration is in line with remuneration paid by other automobile Companies to their Whole-Time Directors and Promoters.

III. OTHER INFORMATION:

(1) **Reasons of loss or inadequate profits:** Till now the Company is having consistent profit track record. During the Financial Year ended March 31, 2021, the Company made Profit after Tax of ₹92.16 crores. The Company has made adequate profit for the Financial Year 2020-21 and is expected to maintain its profitability in the years to come.

(2) **Steps taken or proposed to be taken for improvement:** To mitigate the adverse impact, if any, the Company has planned profitability drive, both in the domestic and international markets using a strategy of differentiating itself by its intense customer relationships, product development capabilities and manufacturing excellence. The Company has invested substantially in R&D to grow its domestic business with indigenous customers. The Company is also penetrating in international markets by relying on its technologies, product developments and management capabilities to a diverse customer base.

(3) **Expected increase in productivity and profits in measurable terms:** It is difficult to forecast the productivity and profitability in measurable terms. However, the Company expects that productivity and profitability may improve and would be comparable with the industry average.

IV. DISCLOSURES

1. The remuneration package of all the managerial persons are given in the respective Resolutions.
2. Additional information is given in the respective sections forming part of this Annual Report.

By Order of the Board of Directors
For **Varroc Engineering Limited**

Ajay Sharma
Group General Counsel and
Company Secretary
ACS: 9127

Place: Pune
Date: June 4, 2021

Notes

Manufacturing facilities

India Business

VEL PN
Products: Electrical, Polymer, Metallic
Plot No. 20, Sector – 9, IIE, Pantnagar, Tehsil Kichcha, Dist. Udham Singh Nagar – 263 153

VEL - I
Products: Electrical & Lighting
Plot No. E – 4, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VEL - II
Products: Electrical
Plot No. K – 101 & 102, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VEL-III
Products: Electrical
Plot No. B – 24 / 25, MIDC Chakan, Tal. Khed. Dist. Pune – 410 501

VEL - IV
Products: Electrical
Plot No. M – 140 / 141, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VEL - VI
Products: Electrical
Gut No. 390, At Post. Takve Dist. Pune - 412 106

VEL - Exhaust & Lighting
Products: Electrical & Lighting
B-14, MIDC Area Chakan, Tal. Khed, Dist. Pune – 410 501

VEL - CN
Products: Electrical
Survey No. 128-1B/129-1B Ezhichur, Tal. Sriperumbudur, Dist. Kanchipuram, Tamil Nadu – 603 204

VEL - Chennai
Products: Lighting
S. No. 44/2, 44/4, 43, 42/15, 45/1P, 481/1P. Sriperumbudur, Taluka, Pondur, A Village, Kanchipuram-602105 Chennai, Tamilnadu

VEL - Halol
Products: Electrical
Plot No. 103/4 Maswad, GIDC Expansion Estate, Halol-II, Dist. Panchmahal, Gujarat – 389 350

VEL - V
Products: Metallic
Plot No. L – 6/2, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VEL - VII
Products: Metallic
Plot No. L – 4, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VEL - VIII
Products: Metallic
Plot No. M – 191/3, MIDC Industrial Area, Waluj, Aurangabad – 431 136

DIPL
Products: Valves
Plot No. F – 57 / 58, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VPPL - I
Products: Polymer
Gut No. 390, Takve BK, Tal. Maval, Dist, Pune – 412 106

VPPL - II
Products: Polymer
E-88, MIDC Industrial Area, Ranjangaon, Tsl. Shirur, Dist Pune – 412 220

VPPL - III
Products: Polymer
Plot No. M – 165/167, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VPPL - IV
Products: Polymer
Gut No. 99, Village Pharola, Tq. Paithan, Dist. Aurangabad – 431 136

VPPL - TR
Products: Polymer
Plot No. M – 138/139, MIDC Industrial Area, Waluj, Aurangabad – 431 136

VPPL – GJ
Products: Polymer
Survey No: 154/1,154/3,155/2, Karsanpura, TQ, Mandal Dist, Ahmedabad - 382 140

VPPL - BG
Products: Polymer
Plot No. 271 & 272(P), Narasapura Industrial Area, Kolar District, Karnataka, PIN – 563 133

TCPL
Products: Polymer
Plot No. 136 / B, Harohalli Industrial Area, Tal. Kanakapura, Dist. Ramanagara - 562 112

VPPL – IN
Products: Polymer
Plot No. 601-A&B Sector-III, Industrial Area, Pithampur, Dist. Dhar – 454 775

VPPL – GN
Products: Polymer
Plot No. 35A Uduog Vihar, Greater Noida, Dist – Gautam Budh Nagar, 201 306

VPPL – BN
Products: Polymer
58th Milestone, Near Mittal Orchide Resorts, NH8, Binola, Gurgaon, 122 413

VPPL - CK
Products: Polymer
C-III, Phase-II, MIDC Chakan, Village Bhamboli, Taluka Khed, Dist. Pune – 410 501

VPPL - Chennai
Products: Ploymer
Survey No. 128-1B & 129-1B, Ezhichur Village, Sriperambudur taluk, Kancheepuram Dist. 603 204

Varroc Lighting Systems

- Novy Jicin, Czech Republic
- Rychvald, Czech Republic
- Monterrey, Mexico
- Tangier, Morocco
- Tuzla, Turkey
- Timisoara, Romania
- Sorocaba, Brazil
- Niemce, Poland
- Cambiano (TO), Italy
- TG-Mures, Romania
- Hanoi, Vietnam

Varroc Lighting Systems - China JV

- Chongqing, China
- Changzhou, China

Other Business

- Sumirago, Italy
- Vignola, Italy

varroc
EXCELLENCE

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Registered Office
L-4, MIDC Area, Waluj,
Aurangabad 431 136.
Tel: +91 240 6653 700/6653 699
Fax: +91 240 2564 540

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