

Varroc Engineering Limited

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www.varroc.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2023-24/112

Date: February 7, 2024

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-400 051.
NSE Symbol: VARROC

The Manager – Listing
The Corporate Relation Department,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400 001.
BSE Security Code: 541578
[Debt: 975062]

Sub: Outcome of Board Meeting

Ref: Regulation 30 (read with Part A of Schedule III) and Regulation 33 & 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/Madam,

This is to inform you that the Board of Directors of the Company, at its meeting held today i.e., on Wednesday, February 7, 2024, which commenced at 12.30 p.m. IST and concluded at 2.33 p.m. IST has considered and approved the following items:

1. Un-audited Financial Results (Standalone and Consolidated) for the quarter and nine months ended on December 31, 2023

The Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter and nine months ended on December 31, 2023, were approved.

Pursuant to Regulation 30, 33 and 52 of the Listing Regulations, we enclose the following:

- i. Statements showing the Un-audited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended on December 31, 2023; and
- ii. The Limited Review Reports issued by the Statutory Auditors of the Company on the aforesaid Un-audited Financial Results (Standalone and Consolidated).

Further, these Financial Results will be uploaded on the Company's website www.varroc.com and will also be published in Business Standard (English) and Loksatta (Marathi) Newspapers.

We are enclosing herewith the Financial Results. We request you to take this on record and treat the same as compliance with the applicable provisions of the Listing Regulations, as amended.

Thanking you,

Yours faithfully,

For Varroc Engineering Limited

Ajay Sharma

Group General Counsel and Company Secretary

Encl: a/a

Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Standalone Financial Results of the Company Pursuant to the Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**Review Report to
The Board of Directors
Varroc Engineering Limited**

1. We have reviewed the accompanying statement of unaudited standalone financial results of Varroc Engineering Limited (the "Company") for the quarter ended December 31, 2023 and year to date from April 01, 2023 to December 31, 2023 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. The Company's Management is responsible for the preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 and 52 of the Listing Regulations. The Statement has been approved by the Company's Board of Directors. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For SRBC & CO LLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

per Paul Alvares

Partner

Membership No.: 105754

UDIN: 24105754BKBZMI8608

Place: Pune

Date: February 07, 2024



Statement of unaudited standalone financial results for the quarter and nine months ended December 31, 2023

Sr. No.	Particulars	Quarter ended			Nine months ended		Year ended
		December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022	March 31, 2023
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
		(Rs. in million)					
1	Revenue from operations	11,695.24	11,108.06	9,792.97	33,345.16	29,980.68	39,401.96
2	Other income (refer notes 3 & 4)	52.36	162.78	17.18	238.39	233.72	306.97
3	Total Income (1 + 2)	11,747.60	11,270.84	9,810.15	33,583.55	30,214.40	39,708.93
4	Expenses						
	(a) Cost of materials consumed	7,799.43	7,586.26	6,747.01	22,636.96	20,751.71	26,696.99
	(b) Changes in stock of finished goods and work-in-progress	28.30	(88.38)	(58.27)	(190.95)	(516.32)	(158.22)
	(c) Employee benefits expense	1,092.71	1,086.69	900.94	3,140.68	2,747.14	3,661.84
	(d) Finance costs	432.63	472.82	472.61	1,349.98	1,217.41	1,700.98
	(e) Foreign exchange (gain)/loss (net) (refer note 2)	(9.50)	(63.10)	(38.08)	(85.87)	519.24	495.92
	(f) Depreciation and amortisation expense	494.82	498.31	488.26	1,467.99	1,379.14	1,944.49
	(g) Other expenses	1,699.30	1,746.58	1,419.48	5,165.90	4,305.10	5,822.43
	Total expenses (4)	11,537.69	11,239.18	9,931.95	33,484.69	30,403.42	40,164.43
5	Profit/(loss) before tax and exceptional items (3- 4)	209.91	31.66	(121.80)	98.86	(189.02)	(455.50)
6	Exceptional item (refer note 5)	-	-	-	45.00	13,240.00	13,321.90
7	Profit/(loss) before tax (5-6)	209.91	31.66	(121.80)	53.86	(13,429.02)	(13,777.40)
8	Tax expense						
	(a) Current tax	40.44	13.75	(59.34)	-	78.81	137.66
	(b) Short/(excess) provision in respect of earlier years	40.94	-	(73.72)	40.94	(73.72)	(110.90)
	(c) Deferred tax (refer note 8)	(2,913.47)	(3.19)	9.37	(2,915.01)	156.06	63.78
	Total tax expense (8)	(2,832.09)	10.56	(123.69)	(2,874.07)	161.15	90.54
9	Profit/(loss) for the period (7-8)	3,042.00	21.10	1.89	2,927.93	(13,590.17)	(13,867.94)
10	Other comprehensive income						
	Items that will not be reclassified to profit or loss in subsequent periods (net of tax)						
	Remeasurement of defined benefit obligation (net of tax)	-	-	-	-	-	1.83
	Other comprehensive income/(loss) (10)	-	-	-	-	-	1.83
11	Total comprehensive income for the period (9+10)	3,042.00	21.10	1.89	2,927.93	(13,590.17)	(13,866.11)
12	Paid-up equity share capital (Face value of the share is Re.1/- each)	152.79	152.79	152.79	152.79	152.79	152.79
13	Reserves excluding revaluation reserves as per balance sheet of previous accounting year	-	-	-	-	-	5,390.95
14	Earnings per share (of Re. 1/- each) (not annualised):						
	Basic & Diluted	19.91	0.14	0.01	19.16	(88.95)	(90.76)





Additional disclosures as per Regulation 52(4) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Particulars	Quarter Ended			Nine months ended		Year Ended
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022	March 31, 2023
Debt Equity ratio [refer note (i)] (No of times)	1.54	2.43	2.58	1.54	2.58	2.97
Debt service coverage ratio [refer note (ii)] (No of times)	1.22	0.82	1.04	0.74	1.07	1.03
Interest service coverage ratio [refer note (iii)] (No of times)	2.63	2.12	1.78	2.16	1.98	1.88
Outstanding Redeemable Preference Shares (Qty / Value)	Not Applicable					
Capital Redemption Reserve	Not Applicable					
Debenture Redemption Reserve	Not Applicable					
Net Worth [refer note (iv)] (Rs. In Millions)	8,471.67	5,429.67	5,819.68	8,471.67	5,819.68	5,543.74
Net profit/(loss) after tax (Rs. In Millions)	3,042.00	21.10	1.89	2,927.93	(13,590.17)	(13,867.94)
Earning per share (EPS)						
Basic EPS (Not Annualised) (Rs)	19.91	0.14	0.01	19.16	(88.95)	(90.76)
Diluted EPS (Not Annualised) (Rs)	19.91	0.14	0.01	19.16	(88.95)	(90.76)
Current Ratio [refer note (v)] (No of times)	0.52	0.46	0.45	0.52	0.45	0.43
Long Term Debt To Working Capital [refer note (vi)] ^ (No of times)	(1.76)	(1.14)	(1.39)	(1.76)	(1.39)	(1.94)
Bad Debts To Account Receivable Ratio [refer note (vii)] ** (No of times)	0.00	0.00	0.00	0.00	0.00	0.00
Current Liability Ratio [refer note (viii)] (No of times)	0.72	0.77	0.82	0.72	0.82	0.87
Total Debts To Total Assets [refer note (ix)] (No of times)	0.40	0.43	0.46	0.40	0.46	0.51
Debtors Turnover [refer note (x)] * (No of times)	4.74	3.70	2.27	12.67	8.06	11.25
Inventory Turnover [refer note (xi)] * (No of times)	1.84	1.76	1.34	5.37	4.70	6.87
Operating Margin [refer note (xii)] (In %)	4.97%	2.51%	2.87%	3.37%	2.12%	2.40%
Net Profit Margin [refer note (xiii)] (In %)	26.01%	0.19%	0.02%	8.78%	-45.58%	-35.20%
Security cover ratio [refer note (xvii)] # (No of times)	1.42	NA	1.20	1.42	1.20	1.21

Formulae for calculation of ratios are as follows:

- (i) Debt Equity Ratio = [Total Debt / Total Equity]
(ii) Debt service coverage ratio = [(Earning before Interest Tax, Depreciation & amortisation and Exceptional items)/((Interest Expense + Principal repayments of long term loan made during the period excluding prepayment))]
(iii) Interest service coverage ratio = [(Earning before Interest, Tax, Depreciation & amortisation and Exceptional items)/(Interest Expense)]
(iv) Net Worth = [Equity share capital + Other equity]
(v) Current ratio = [Current Assets / Current Liabilities]
(vi) Long term debt to working capital = [Non Current borrowing (including current maturity of long term borrowing) / Working Capital]
(vii) Bad debts to Accounts receivable ratio = [(Bad debts written off + Provision for bad debts charged to profit and loss account) / Average Trade Receivables]
(viii) Current liability ratio = [Current Liability / Total Liability]
(ix) Total debts to Total assets = [Total Debt / Total Assets]
(x) Debtors Turnover = [Revenue from Operations / Average Debtors]
(xi) Inventory Turnover = [(Cost of Material Consumed + Changes in stock of finished goods and work-in-progress) / Average Inventory]
(xii) Operating Margin = [(EBIT(Earning before Interest, Tax and Exception items) - Other Income) / Revenue from operation]
(xiii) Net Profit Margin = [Net profit after tax / Revenue from operation]
(xiv) Total Debt = Long Term Borrowings + Short Term Borrowings (includes Current Maturities of Long Term Borrowings)
(xv) Total Equity = Equity Share Capital + Other Equity
(xvi) Working Capital = [Total Current Assets - Total Current Liabilities (excluding current maturity of long term borrowing)]
(xvii) Security cover ratio = [(Book value of specific identified movable fixed assets both present and future of the company as per debenture trust deed / NCD principal amount + Interest payable till date)]

* Ratio not annualised, except for the year ended March 31, 2023

** numbers are below 0.01

^ Ratio is negative because net working capital is negative.

Security for Non-Convertible Debentures ("NCDs") issued during the quarter was created on October 16, 2023, and the NCDs were unsecured as at September 30, 2023. Hence, disclosure for security cover ratio is not applicable for the quarter ended September 30, 2023



Varroc Engineering Limited

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Notes to the Unaudited Standalone Financial Results:

- 1) The above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on February 07, 2024 and were subjected to review by the Statutory Auditors.
- 2) Foreign exchange loss/(gain) for the quarters ended December 31, 2023, September 30, 2023, and December 31, 2022, Nine months ended December 31, 2023 and December 31, 2022, and the year ended March 31, 2023 includes amounts of Rs. Nil, Rs.(31.38) million, Rs Nil, Rs.(29.48) million, Rs.536.12 million and Rs. 529.62 million respectively in respect of unrealised/realised foreign exchange (gain)/ loss on loans given to overseas subsidiary.
- 3) During the previous quarter, management re-evaluated the presentation of income from government grants in the statement of profit and loss and re-classified it from other income to other operating income included within 'Revenue from Operations'. Accordingly, income of Rs 64.87 million and Rs 192.01 million for the quarter and nine months ended December 31, 2023 respectively has been presented under other operating income. Further other income of comparative periods for quarters ended September 30, 2023, and December 31, 2022, nine months ended December 31, 2022 and year ended March 31, 2023 have also been reclassified by Rs 64.55 million, Rs 54.60 million, Rs 162.86 million and Rs 223.06 million respectively.
- 4) Other income for the quarter ended September 30, 2023 and nine months ended December 31, 2023 include dividend received from a subsidiary company of Rs. 125.79 million.
- 5) Varroc Engineering Limited ("the Company") and VarrocCorp Holding BV, Netherlands ("VCHBV", wholly owned subsidiary of VEL) (together referred to as "Sellers") entered into a Securities Purchase Agreement dated April 29, 2022 as amended dated July 01, 2022, October 05, 2022 and May 12, 2023 (collectively referred to as "SPA") with Compagnie Plastic Omnium SE, France (referred to as "Buyer"), to divest the Sellers 4-Wheeler lighting business in the Americas and Europe ("VLS Business"). The equity value agreed under the SPA was Eur 69.5 million (subject to closing adjustments as provided under the SPA) and accordingly the loss on equity investments and loans given to VLS business of Rs 13,321.90 million was recognised as exceptional item during the year ended March 31, 2023.
The Buyer submitted the final adjustments but failed to provide the necessary supporting details to enable the Sellers to understand these adjustments. Hence, Sellers sent a Dispute Notice in accordance with the SPA disputing the proposed adjustments. Subsequently, both the Buyer and the Sellers have entered into Settlement Agreement on July 14, 2023 whereby both the parties have agreed to settle the disagreements on closing adjustments and the final equity value agreed under the Settlement Agreement is Eur 54.5 million. Accordingly VCHBV has received the remaining consideration amount of Eur 13 million on July 17, 2023 pursuant to this final settlement with Buyer.
Exceptional item of Rs 45 million for the nine months ended December 31, 2023 pertains to expenses directly related to sale of investment in VLS business.
- 6) The total debt as at December 31, 2023 is Rs.13,011.27 million out of which amounts of Rs. 2,010.98 million are due for repayment in the next 12 months from balance sheet date (excluding working capital facilities and inter-corporate deposits of Rs. 4,452.41 million). Taking into account the expected cash generation from operations in next 12 months and additional sanctions available to the company for long term funding, the management does not foresee any risk of non-payment/default. Accordingly, the results for the quarter and nine months ended December 31, 2023 are prepared based on going concern assumption being appropriate for the next 12 months.
- 7) In the previous quarter, the Company has issued 25,000 number of listed Non-Convertible Debentures ('NCD') of face value of Rs. 1,00,000 each aggregating to Rs. 2,500 million on a private placement basis. The NCDs will be repaid in 16 equal quarterly instalments beginning from December 07, 2024. Further, NCD holders have a put option after 30 months and 42 months respectively from date of allotment, requiring the Company to redeem all the NCDs. The Company shall at all times until the Final Settlement Date maintain a minimum Security Cover of at least 1.1x. The proceeds from the issue have been utilised for repayment of existing listed NCDs, other outstanding debt and for general corporate purposes. These NCDs are secured by exclusive charge by way of hypothecation on the specific identified movable properties of the Company.
The asset cover in respect of the Non-Convertible Debentures as on December 31, 2023 is 1.42 times of the total due amount which is higher than the requirement of 1.10 times as specified in the Debenture Trust Deed.
- 8) During the current quarter, the Company has derecognised (written-off) loans given to VarrocCorp Holding BV ('VCHBV'), Netherlands including interest on such loans aggregating to Rs. 11,796.44 million after making requisite submissions to AD Bank. The Company has claimed this write-off of loans as an allowable business loss, considering that these loans extended to VCHBV were in the nature of trade investments to derive benefits for the Company's businesses rather than for earning dividend/capital appreciation. The Company has obtained legal opinions from two independent senior counsels who have supported their view on claiming this write-off of loans as an allowable business loss.
Accordingly, the Company has considered this loss as tax deductible for computation of tax provision for the nine months ended December 31, 2023 and recognised deferred tax asset of Rs. 2,968.93 million as at December 31, 2023.
These loans pertain to funding of Varroc Lighting Systems ('VLS') entities (erstwhile subsidiaries of VCHBV) which were fully provided for during the period ended September 30, 2022 when the VLS business was sold to Compagnie Plastic Omnium SE, France.
Further, the Company has decided to shift to new tax regime under section 115BAA of Income Tax Act, 1961 from current financial year ended March 31, 2024. As a result, MAT credit of Rs. 265.34 million has been written off and deferred tax liability to the extent of Rs. 254.54 million has been reversed on account of lower tax rate under new regime.
- 9) Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year classification.



**For and on behalf of Board of Directors
Varroc Engineering Limited**

Tarang Jain
Chairman and Managing Director

Place: Pune

Date: February 07, 2024

Independent Auditor's Review Report on the Quarterly and Year to Date Unaudited Consolidated Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**Review Report to
The Board of Directors
Varroc Engineering Limited**

1. We have reviewed the accompanying Statement of unaudited Consolidated Financial Results of Varroc Engineering Limited (the "Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint ventures for the quarter ended December 31, 2023 and year to date from April 01, 2023 to December 31, 2023 (the "Statement") attached herewith, being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (the "Listing Regulations").
2. The Holding Company's Management is responsible for the preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the Listing Regulations. The Statement has been approved by the Holding Company's Board of Directors. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the Circular No. CIR/CFD/CMD1/44/2019 dated March 29, 2019 (the "Circular") issued by the Securities and Exchange Board of India under Regulation 33(8) of the Listing Regulations, to the extent applicable.

4. The Statement includes the results of the following entities:

Subsidiaries:

Varroc Polymers Limited; Durovalves India Private Limited; CarlQ Technologies Private Limited; Varroc European Holding B.V.; VarrocCorp Holding B.V.; Varroc Japan Co. Limited; IMES, Italy; Varroc Italy S.p.A; Varroc Romania SA.; Varroc Vietnam Co. Ltd.; Varroc Lighting Systems Bulgaria Eood; Varroc Electronics Romania SRL; Varroc Poland s.p.z.oo; Varroc Germany GmbH; Varroc Intelligent Driving R&D Center (Changzhou) Co. Ltd.; Varroc Czech Republic SRO

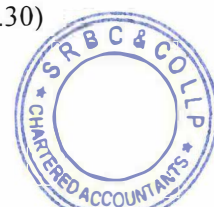
Joint Ventures

Nuova CTS, Srl, Italy; Varroc TYC Corporation BVI; Varroc Dell'Orto Private Limited



5. As disclosed in Note 3 to the Statement, the financial results and other financial information for the quarter and nine months ended December 31, 2023 in respect of Varroc TYC Corporation BVI ("China JV"), a joint venture accounted for under the equity method, considered for the purpose of preparation of the consolidated financial results, is unreviewed. Hence, we are unable to determine the impact of Group's share of the profit/loss from China JV on the consolidated profit before tax, tax expense, profit after tax, total comprehensive income and earnings per share for the quarter and nine months ended December 31, 2023, had the financial results of China JV been reviewed.
6. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of other auditors referred to in paragraph 7 and 8 below, except for the possible effect of our observation in para 5 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with recognition and measurement principles laid down in the aforesaid Indian Accounting Standard specified under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
7. The accompanying Statement includes the unaudited interim financial results/statements and other financial information, in respect of 3 subsidiaries, whose unaudited interim financial results/statements (without giving effect of elimination of intra-group transactions) include total revenues of Rs 1,060.70 million and Rs 3,927.69 million, total net profit/(loss) after tax of Rs (64.29) million and Rs. 69.78 million, and total comprehensive income of Rs (64.29) million and Rs 69.78 million, for the quarter ended December 31, 2023 and the period ended on that date respectively, as considered in the Statement which have been reviewed by their respective independent auditors.

The independent auditor's reports on interim financial statements/ financial information/ financial results of these entities have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures in respect of these subsidiaries is based solely on the report of such auditors and procedures performed by us as stated in paragraph 3 above.
8. Certain of these subsidiaries are located outside India whose financial results and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been reviewed by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial results of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have reviewed these conversion adjustments made by the Holding Company's management. Our conclusion in so far as it relates 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 reviewed by us.
9. The accompanying Statement includes unaudited interim financial results /statements and other unaudited financial information in respect of:
 - 4 subsidiaries, whose interim financial results/statements and other financial information (without giving effect of elimination of intra-group transactions) reflect total revenues of Rs 185.17 million and Rs 584.66 million, total net profit/(loss) after tax of Rs (22.61) million and Rs (44.87) million, and total comprehensive income of Rs (22.61) million and Rs (46.30)



SRBC & CO LLP

Chartered Accountants

million, for the quarter ended December 31, 2023 and the period ended on that date respectively.

- 3 joint ventures, whose interim financial results/statements includes the Group's share of net profit/(loss) of Rs 250.68 million and Rs 392.56 million and Group's share of total comprehensive income of Rs 250.68 million and Rs 392.56 million for the quarter ended December 31, 2023 and for the period ended on that date respectively.

The unaudited interim financial statements/ financial information/ financial results and other unaudited financial information of these subsidiaries and joint ventures have not been audited/reviewed by any auditor and have been approved and furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the affairs of these subsidiaries and joint ventures, is based solely on such unaudited interim financial statement/financial results and other unaudited financial information. According to the information and explanations given to us by the Management, these interim financial statements/financial information/financial results are not material to the Group except that relating to China JV.

Our conclusion on the Statement in respect of matters stated in para 7, 8 and 9 above is not modified with respect to our reliance on the work done and the reports of the other auditors and the financial results/financial information certified by the Management except that relating to China JV.

For SRBC & CO LLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

per Paul Alvarez

Partner

Membership No.: 105754

UDIN: 24105754BKBZMJ2689



Place: Pune

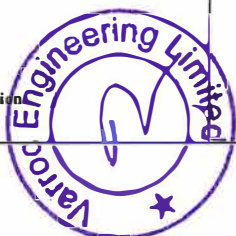
Date: February 07, 2024



Statement of unaudited consolidated financial results for the quarter and nine months ended December 31, 2023

(Rs. in Million)

Sr. No.	Particulars	Quarter ended			Nine months ended		Year ended
		December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022	March 31, 2023
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Continuing Operations						
1	Revenue from operations	18,845.88	18,868.09	17,227.71	55,770.82	51,920.98	68,912.13
2	Other income (refer note 5 & 6)	89.28	67.41	30.12	211.57	175.95	297.34
3	Total income (1+2)	18,935.16	18,935.50	17,257.83	55,982.39	52,096.93	69,209.47
4	Expenses						
	(a) Cost of materials consumed	12,040.59	11,951.93	11,387.65	35,587.74	34,343.39	44,455.49
	(b) Changes in inventories of work-in-progress and finished goods	(40.55)	(12.85)	(147.12)	(236.30)	(727.83)	(150.02)
	(c) Employee benefits expense	2,070.86	2,028.16	1,827.75	6,021.23	5,278.65	7,172.97
	(d) Finance costs	495.63	502.58	513.95	1,487.16	1,377.68	1,902.95
	(e) Foreign exchange (gain)/loss (net)	(24.88)	(71.94)	(62.93)	(122.07)	276.02	217.54
	(f) Depreciation and amortisation expense	892.74	848.87	818.98	2,543.22	2,445.69	3,367.41
	(g) Other expenses	3,043.94	3,030.21	2,814.49	8,994.91	8,654.28	11,467.81
	Total expenses (4)	18,478.33	18,276.96	17,152.77	54,275.89	51,647.88	68,434.15
5	Profit/(loss) before share of profit/(loss) of joint ventures and tax from continuing operations (3-4)	456.83	658.54	105.06	1,706.50	449.05	775.32
6	Share of profit/(loss) of Joint Ventures (refer note 3)	250.68	80.58	9.28	392.56	(31.77)	53.28
7	Profit/(loss) before tax from continuing operations (5+6)	707.51	739.12	114.34	2,099.06	417.28	828.60
8	Tax expense						
	Current tax	(254.81)	173.34	56.04	29.14	479.74	660.95
	Short/ (excess) provision in respect of earlier year	59.05	1.66	(68.60)	60.03	(68.60)	(105.78)
	Deferred tax (refer note 8)	(2,935.60)	6.96	(90.87)	(2,936.46)	18.41	(114.46)
	Total tax expense (8)	(3,131.36)	181.96	(103.43)	(2,847.29)	429.55	440.71
9	Profit/(loss) for the period from continuing operations (7-8)	3,838.87	557.16	217.77	4,946.35	(12.27)	387.89
	Discontinued operations (refer note 2)						
10	Profit/(loss) before tax for the period from discontinued operations	-	-	-	(209.20)	(8,557.23)	(8,557.23)
11	Tax (Income)/expense of discontinued operations	-	-	-	-	1.91	1.91
12	Profit/ (loss) for the period from discontinued operations (10-11)	-	-	-	(209.20)	(8,559.14)	(8,559.14)
13	Profit/(loss) for the period (9 + 12)	3,838.87	557.16	217.77	4,737.15	(8,571.41)	(8,171.25)
14	Other comprehensive income from continuing operations						
A	Items to be reclassified to profit or loss in subsequent periods						
	Exchange differences in translating the financial statements of foreign operations	268.26	(45.80)	314.11	(11.72)	298.28	472.99
B	Items not to be reclassified to profit or loss in subsequent periods						
	Remeasurement of defined benefit obligation (net of tax)	-	-	-	(1.43)	-	(55.59)
15	Other comprehensive income from discontinued operations						
A	Items to be reclassified to profit or loss in subsequent periods						
	Exchange differences in translating the financial statements of foreign operations	-	-	-	-	(2,344.95)	(2,344.95)
B	Items not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-	-
16	Total Other comprehensive income/(loss), net of tax from continuing and discontinued operations (14+15)	268.26	(45.80)	314.11	(13.15)	(2,046.67)	(1,927.55)
17	Total comprehensive income/(loss) for the period (13+16)	4,107.13	511.36	531.88	4,724.00	(10,618.08)	(10,098.80)
18	Profit/(loss) for the period attributable to:						
	Shareholders of the Company	3,826.85	542.27	204.04	4,691.69	(8,594.58)	(8,198.35)
	Non-controlling interests	12.02	14.89	13.73	45.46	23.17	27.10
19	Other comprehensive income/(loss) attributable to:						
	Shareholders of the Company	268.26	(45.80)	314.11	(13.15)	(2,046.67)	(1,926.87)
	Non-controlling interests	-	-	-	-	-	(0.68)
20	Total comprehensive income/(loss) for the period attributable to:						
	Shareholders of the Company	4,095.11	496.47	518.15	4,678.54	(10,641.25)	(10,125.22)
	Non-controlling interests	12.02	14.89	13.73	45.46	23.17	26.42
21	Paid-up equity share capital (face value of Re.1)	152.79	152.79	152.79	152.79	152.79	152.79
22	Reserves excluding revaluation reserves as per balance sheet	-	-	-	-	-	9,609.20
23	Earnings per equity share attributable to Owners (Nominal value per share: Re. 1) (not annualised)						
	-for continuing operations						
	Basic and diluted (in Rupees)	25.05	3.55	1.34	32.08	(0.23)	2.36
	- for discontinued operations						
	Basic and diluted (in Rupees)	-	-	-	(1.37)	(56.02)	(56.02)
	- for continuing and discontinued operations						
	Basic and diluted (in Rupees)	25.05	3.55	1.34	30.71	(56.25)	(53.66)



Unaudited Consolidated Segment wise Revenue, Results, Assets and Liabilities

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022	March 31, 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1) Segment Revenue						
(i) Automotive	18,427.68	18,410.40	16,465.53	54,345.31	49,881.23	66,176.54
(ii) Others	418.20	457.69	762.18	1,425.51	2,039.75	2,735.59
Total Segment Revenue from continuing operations (refer note 5)	18,845.88	18,868.09	17,227.71	55,770.82	51,920.98	68,912.13
Add : Segment revenue from discontinued operations (automotive segment) (refer note 2)	-	-	-	-	38,544.87	38,544.87
Revenue from continuing and discontinued operations	18,845.88	18,868.09	17,227.71	55,770.82	90,465.85	1,07,457.00
2) Segment Results						
(i) Automotive	968.48	1,148.64	536.24	3,150.24	1,737.09	2,461.73
(ii) Others	(39.91)	(4.77)	79.89	(20.32)	82.65	200.49
Total segment results from continuing operations (refer note 5)	928.57	1,143.87	616.13	3,129.92	1,819.74	2,662.22
Add : Segment results of discontinued operations (automotive segment) (refer note 2)	-	-	-	(209.20)	(8,037.74)	(8,037.74)
Add/ (Less) :						
(a) Finance Cost	(495.63)	(502.58)	(513.95)	(1,487.16)	(1,912.34)	(2,437.61)
(b) Net unallocated (expenditure) / income	274.57	97.83	12.16	456.30	(9.61)	84.50
Profit/(loss) before tax	707.51	739.12	114.34	1,889.86	(8,139.95)	(7,728.63)
3) Segment Assets						
(i) Automotive	35,753.82	35,782.52	38,995.75	35,753.82	38,995.75	36,669.52
(ii) Others	2,174.78	2,106.31	2,448.76	2,174.78	2,448.76	2,551.26
Total segment assets of continuing operations (refer note 5)	37,928.60	37,888.83	41,444.51	37,928.60	41,444.51	39,220.78
Add : Segment assets of discontinued operations (automotive segment) (refer note 2)	-	-	-	-	-	-
Add : Unallocated	9,267.08	5,599.99	5,369.26	9,267.08	5,369.26	6,988.24
Total assets	47,195.68	43,488.82	46,813.77	47,195.68	46,813.77	46,209.02
4) Segment Liabilities						
(i) Automotive	17,991.99	18,487.69	19,021.68	17,991.99	19,021.68	17,529.51
(ii) Others	618.43	488.78	916.70	618.43	916.70	852.26
Total segment liabilities of continuing operations (refer note 5)	18,610.42	18,976.47	19,938.38	18,610.42	19,938.38	18,381.77
Add : Segment liabilities of discontinued operations (automotive segment) (refer note 2)	-	-	-	-	-	-
Add : Unallocated	13,869.57	13,853.96	17,351.68	13,869.57	17,351.68	17,785.73
Total liabilities	32,479.99	32,830.43	37,290.06	32,479.99	37,290.06	36,167.50

Notes to the Unaudited Consolidated Financial Results :

- Above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on February 07, 2024 and were subjected to review by the Statutory Auditors.
- Varroc Engineering Limited ("VEL") and VarrocCorp Holding BV, Netherlands ("VCHBV", wholly owned subsidiary of VEL) (together referred to as "Sellers") entered into a Securities Purchase Agreement dated April 29, 2022 as amended dated July 01, 2022, October 05, 2022 and May 12, 2023 (collectively referred to as "SPA") with Compagnie Plastic Omnium SE, France (referred to as "Buyer"), to divest the Sellers 4-Wheeler lighting business in the Americas and Europe ("VLS Business"). The equity value agreed under the SPA was Euro 69.5 million (subject to closing adjustments as provided under the SPA) and accordingly the loss on sale of VLS Business was recognised during the quarter ended September 30, 2022 and had been included in the profit/loss from discontinued operations for the year ended March 31, 2023. The Buyer submitted the final adjustments but failed to provide the necessary supporting details to enable the Sellers to understand these adjustments. Hence, Sellers sent a Dispute Notice in accordance with the SPA disputing the proposed adjustments. Subsequently, both the Buyer and the Sellers have entered into Settlement Agreement on July 14, 2023 whereby both the parties have agreed to settle the disagreements on closing adjustments and the final equity value agreed under the Settlement Agreement is Euro 54.5 million. Accordingly, VCHBV has received the remaining consideration amount of Euro 13 million on July 17, 2023 pursuant to this final settlement with Buyer. Profit/loss from discontinued operations for the nine months ended December 31, 2023 pertains to adjustments pursuant to revised equity value as per above settlement agreement and expenses directly related to sale of investment in VLS business. Further, the management assessed that such sale of VLS business satisfies the criteria prescribed under Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations" for classification as discontinued operation. The income and expenses of continuing operations include transactions with discontinued operation, which does not have impact on "Profit / (loss) for the period from continuing and discontinued operations" as disclosed in Consolidated financial results.

Details of income and expenses attributable to discontinued operations are as follows:

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2023	September 30, 2023	December 31, 2022	December 31, 2023	December 31, 2022	March 31, 2023**
Total income	-	-	-	-	38,659.62	38,659.62
Total expenses	-	-	-	209.20	47,216.85	47,216.85
Profit/(loss) before tax	-	-	-	(209.20)	(8,557.23)	(8,557.23)
Tax expense	-	-	-	-	1.91	1.91
Profit/(loss) for the period*	-	-	-	(209.20)	(8,559.14)	(8,559.14)

* Profit/ (loss) for the year ended March 31, 2023 includes loss recognised on discontinued operations as explained above.

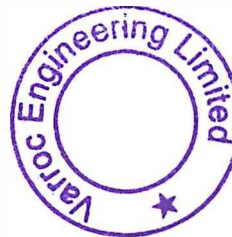
** The figures as disclosed above are till September 30, 2022 since sufficient financial information till October 6, 2022 for VLS business is not available. This however has no impact on the net loss recognised in respect of the discontinued operations.





- 3 The Group's investment in Varroc TYC Corporation BVI ('VTYC' or 'China JV'), a joint venture accounted for under the equity method, which is carried at Rs. 4,065.88 million as at December 31, 2023, and the Group's share of VTYC's net profit of Rs. 384.38 million which is included in the Group's income for the period then ended are based on management certified accounts and were not subjected to review. The Group is currently undertaking negotiations with the JV partner for resolution of certain matters regarding operation of the JV, pending which the Group is unable to get the financial and other information of VTYC reviewed from auditors. The auditors in their review report have included a qualification in respect of this matter.
- 4 The total debt of the Group as at December 31, 2023 is Rs. 13,409.51 million out of which amounts of Rs. 3,569.12 million are due for repayment in the next 12 months from balance sheet date (excluding working capital facilities of Rs. 1,820.16 million). Taking into account the expected cash generation in next 12 months and additional sanctions available to the Group for long term funding, the management does not foresee any risk of non-payment/default. Accordingly, the results for the quarter and nine months ended December 31, 2023 are prepared based on going concern assumption being appropriate for the next 12 months.
- 5 During the previous quarter, the management re-evaluated the presentation of income from government grants in the statement of profit and loss and re-classified it from other income to other operating income included within 'Revenue from Operations'. Accordingly, income of Rs. 75.35 million and Rs. 279.30 million for the quarter and nine months ended December 31, 2023 respectively has been presented under other operating income. Further other income of comparative periods for quarters ended September 30, 2023, and December 31, 2022, nine months ended December 31, 2022 and year ended March 31, 2023 have also been reclassified by Rs. 71.16 million, Rs. 60.00 million, Rs. 190.90 million and Rs. 281.47 million respectively.
- 6 During the nine months ended December 31, 2022, one of the Group Company has sold land pertaining to one of its plant located at Patherdi, Rajasthan. Other income for the nine months ended December 31, 2022 includes Rs. 102.60 million towards profit on sale of such plant.
- 7 In the previous quarter, the Group issued 25,000 number of listed Non-Convertible Debentures ('NCD') of face value of Rs. 1,00,000 each aggregating to Rs. 2,500 million on a private placement basis. The NCDs will be repaid in 16 equal quarterly instalments beginning from December 07, 2024. Further, NCD holders have a put option after 30 months and 42 months respectively from date of allotment, requiring the Group to redeem all the NCDs. The Group shall at all times until the Final Settlement Date maintain a minimum Security Cover of at least 1.1x. The proceeds from the issue have been utilised for repayment of existing listed NCDs, other outstanding debt and for general corporate purposes. These NCDs are secured by exclusive charge by way of hypothecation on the specific identified movable properties of the Company. The asset cover in respect of the Non-Convertible Debentures as on December 31, 2023 is 1.42 times of the total due amount which is higher than the requirement of 1.10 times as specified in the Debenture Trust Deed.
- 8 During the current quarter, Varroc Engineering Limited ('VEL') and Varroc Polymers Limited ('VPL') have derecognised (written-off) loans given to VarrocCorp Holding BV ('VCHBV'), Netherlands including interest on such loans aggregating to Rs. 13,533.33 million after making requisite submissions to AD Bank. The Group has claimed this write-off of loans as an allowable business loss, considering that these loans extended to VCHBV were in the nature of trade investments to derive benefits for the Group's businesses rather than for earning dividend/capital appreciation. The Group has obtained legal opinions from two independent senior counsels who have supported their view on claiming this write-off of loans as an allowable business loss.
- Accordingly, the group has considered this loss as tax deductible for computation of current tax provision for the nine months ended December 31, 2023, to the extent of Rs. 437.14 million and for recognition of deferred tax asset of Rs. 2,968.93 million as at December 31, 2023 towards the loss.
- These loans pertain to funding of Varroc Lighting Systems ('VLS') entities (erstwhile subsidiaries of VCHBV) which were fully provided for during the period ended September 30, 2022, in respective standalone financial statements of VEL and VPL when the VLS business was sold to Compagnie Plastic Omnium SE, France.
- Further, VEL has decided to shift to new tax regime under section 115BAA of Income Tax Act, 1961 from current financial year ended March 31, 2024. As a result, MAT credit of Rs. 265.34 million has been written off and deferred tax liability to the extent of Rs. 254.54 million has been reversed on account of lower tax rate under new regime.
- 9 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 ventures and corresponding share of profit/loss from joint ventures is considered under unallocated assets and profit/loss respectively.
- 10 Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year's classification.

Place : Pune
Date : February 07, 2024



For and on behalf of Board of Directors
Varroc Engineering Limited

Tarang Jain
Chairman and Managing Director