

Varroc Engineering Limited

Regd. & Corp. Office

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Waluj, Aurangabad 431 136,
Maharashtra, India

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www.varroc.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2024-25/55

August 7, 2024

To,
The Manager,
Bombay Stock Exchange Ltd ('BSE')
1st Floor, P.J. Towers,
Dalal Street,
Mumbai – 400001
BSE Security Code: 541578 [Debt: 975062]

Sub: Submission of information pursuant to Regulation 54 and other applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Asset Cover Certificate-Q1 -FY 2024-25

Dear Sir/Madam,

In compliance with Regulation 54 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we submit herewith the Asset Cover Certificate w.r.t. for the below mentioned Debt Securities for the Quarter ended June 30, 2024:

Sr. no	ISIN	Facility Rs. in Crore	Nature and Extent of Security created and maintained
1	INE665L07040 (ISIN post restructuring) INE665L08014 (Initial ISIN) Scrip Code 975062	250	NCDs are secured by way of Exclusive Charge on specific identified movable fixed assets of the Company. The Asset Cover in with respect to these NCDs is 1.37 times (137%) of the total due amount which is higher than the requirement of 1.10 times as specified in Debenture Trust Deed.

Kindly take the same on your records.

Thanking you,

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary
Membership No. A-9127

Encl: A/a

Independent Auditor's Report on Security Cover, Compliance with all Covenants and book value of assets as at June 30, 2024 pursuant to Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and SEBI Circular dated May 19, 2022 for submission to Catalyst Trusteeship Limited (the 'Debenture Trustee')

To
The Board of Directors
Varroc Engineering Limited
L-4, MIDC,
Waluj, Aurangabad,
Maharashtra, India 431136.

1. This Report is issued in accordance with the terms of the service scope letter dated July 19, 2024 and master engagement agreement dated September 13, 2023, as amended with Varroc Engineering Limited (hereinafter the "Company").
2. We S R B C & CO LLP, Chartered Accountants, are the Statutory Auditors of the Company and have been requested by the Company to examine the accompanying Statement (containing annexure 1 and Annexure 1A) on book values of assets provided as security for 8.6% Secured, Non-Convertible, Non-Cumulative Redeemable, Taxable Debentures of the face value of Rs 1,00,000 each aggregating to Rs 2,500 million (hereinafter the 'Debentures') as at June 30, 2024 which has been prepared by the Company from the board approved unaudited standalone financial results, underlying books of accounts and other relevant records and documents maintained by the Company as at and for the period ended June 30, 2024 pursuant to the requirements of Regulation 56(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "SEBI Regulations") and SEBI Circular dated May 19, 2022 on Revised format of security cover certificate, monitoring and revision in timelines (the "SEBI Circular") (hereinafter referred to as "the Statement"), and has been initialed by us for identification purpose only.

This Report is required by the Company for the purpose of submission with Catalyst Trusteeship Limited (hereinafter the "Debenture Trustee") of the Company to ensure compliance with the SEBI Regulations and SEBI Circular in respect of its Debentures. The Company has entered into an agreement with the Debenture Trustee vide Debenture Trust Deed dated September 01, 2023 in respect of such Debentures (the "Debenture Trust Deed").

Management's Responsibility

3. The preparation of the Statement is the responsibility of the Management of the Company including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the Statement and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

4. The Management of the Company is responsible for ensuring that the Company complies with all the relevant requirements of the SEBI Regulations and SEBI Circular including maintenance of security cover of 110% as per the terms of Debenture Trust Deed sufficient to discharge the principal amount and the interest thereon at all times for the Debentures issued. The management is also responsible for providing all relevant information to the Debenture Trustee and complying with all the covenants prescribed as required under the General Information Document and Trust Deed.

Auditor's Responsibility

5. It is our responsibility to provide a limited assurance and conclude as to whether the:
 - (a) Company has maintained 110% security cover as per the terms of the General Information Document and Debenture Trust deed;
 - (b) The Company is in compliance with all the covenants including financial covenants as mentioned in the General Information Document and Debenture Trust deed; and
 - (c) Book values of assets as included in the Statement prepared by management are in agreement with the books of account underlying the the unaudited standalone financial results of the company as at June 30, 2024.
6. We have performed a limited review of the unaudited standalone financial results of the Company for the quarter ended June 30, 2024 prepared by the Company pursuant to the requirements of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and issued an unmodified conclusion dated August 07, 2024. Our review of these financial results was conducted in accordance with the 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 ("ICAI").
7. We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
9. Our scope of work did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this report. Accordingly, we do not express such opinion.

10. A limited assurance engagement includes performing procedures to obtain sufficient appropriate evidence on the applicable criteria, mentioned in paragraph 5 above. The procedures performed vary in nature and timing from, and are less extent than for, a reasonable assurance. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, our procedures included the following in relation to the Statement:
- a) Obtained and read the General Information Document and Debenture Trust Deed and noted that as per such General Information Document and Debenture Trust Deed, the Company is required to maintain security cover at least 110%.
 - b) Obtained the unaudited standalone financial results of the Company for the quarter ended June 30, 2024.
 - c) Traced and agreed the principal amount and the interest thereon of the Debentures as at June 30, 2024 to the books of account underlying the unaudited standalone financial results of the Company for the quarter ended June 30, 2024.
 - d) Traced the book value of assets having exclusive charge against debentures as per the Statement from the books of accounts and records underlying the unaudited standalone financial results of the Company as at June 30, 2024.
 - e) Traced the book value of assets having exclusive/ pari passu charge against other secured debt as per the Statement from the books of accounts and records underlying the unaudited standalone financial results of the Company as at June 30, 2024.
 - f) Obtained the list of security created in the register of charges maintained by the Company and 'Form CHG-9' filed with Ministry of Corporate Affairs ('MCA'). Traced the value of charge created against Assets to the book values of assets in the attached Statement.
 - g) Inquired with the management and determined that book value of assets having exclusive/ pari passu charge against other secured debt as per the Statement are not included in the calculation of Security Cover in respect of the Debentures.
 - h) Examined and verified the arithmetical accuracy of the computation of the Security Cover in the accompanying Statement.
 - i) The management has represented to us that Company is not required to test any financial covenants as at June 30, 2024.
 - j) With respect to covenants other than financial covenant, the management has represented and confirmed that the Company has complied with all other covenants, as prescribed in the General Information Document and Debenture Trust deed as at June 30, 2024. We have not performed any other procedures on the same.
 - k) Performed necessary inquiries with the Management and obtained necessary representations.

Conclusion

11. Based on the procedures performed by us, as referred to in paragraph 10 above and according to the information and explanations received and management representations obtained, nothing has come to our attention that causes us to believe that the:
- a) The Company has not maintained security cover of 110% as per the terms of the Debenture Trust deed as at June 30, 2024; and
 - b) The Company is not in compliance with all the covenants including financial covenants as mentioned in the Debenture Trust Deed as at June 30, 2024 and
 - c) Book values of assets as included in the Statement are not in agreement with the books of account underlying the unaudited standalone financial results of the Company as at June 30, 2024.

Restriction on Use

12. The Report has been issued at the request of the Company, solely in connection with the purpose mentioned in paragraph 2 above and to be submitted with the accompanying Statement to the Debenture Trustee and is not to be used or referred to for any other purpose or by any other person. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come. We have no responsibility to update this Report for events and circumstances occurring after the date of this report.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

Paul
Alvares

Digitally signed by Paul Alvares
DN: cn=Paul Alvares, c=IN,
o=Personal,
email=paul.alvares@srb.in
Date: 2024.08.07 17:18:35 +05'30'

per Paul Alvares

Partner

Membership Number: 105754

UDIN: 24105754BKBZPJ7893

Place of Signature: Pune

Date: August 07, 2024

All amounts in Rs Million unless otherwise stated

Column A	Column B	Column C ⁱ	Column D ⁱⁱ	Column E ⁱⁱⁱ	Column F ^{iv}	Column G ^v	Column H ^{vi}	Column I	Column J (Total C to H)	Column K	Column L	Column M	Column N	Column O
Particulars	Description of asset for which this certificate relates	Exclusive Charge	Exclusive Charge	Pari-Passu Charge	Pari-Passu Charge	Other assets on which there is pari-Passu charge (excluding items covered in column F)	Assets not offered as Security	Elimination (amount in negative)	Market Value for Assets charged on Exclusive basis	Carrying/book value for exclusive charge assets where market value is not ascertainable or applicable (For Eg. Bank Balance, DSR Balance, DSR market value is not applicable)	Market Value for Pari passu charge Assets ^{vii}	Carrying value/book value for pari passu charge assets where market value is not ascertainable or applicable (For Eg. Bank Balances, DSR market value is not applicable)	Value=(K+L+M+N)	
		Book Value	Book Value	Yes/No	Book Value	Book Value								
ASSETS														
Property, Plant and Equipment	Refer Note A, B & C of Annexure 1A	3,332.20	4,582.24	No	-	-	572.40	-	8,486.84	4,258.42	-	-	4,258.42	
Capital Work-in-Progress	Refer Note A, B & C of Annexure 1A	106.47	-	No	-	-	187.15	-	293.62	106.47	-	-	106.47	
Right of Use Assets	Refer Note B of Annexure 1A	-	360.05	No	-	-	1,349.01	-	1,709.06	-	-	-	-	
Investment Property	Refer Note B of Annexure 1A	-	11.74	No	-	-	100.09	-	111.83	-	-	-	-	
Goodwill		-	-	No	-	-	-	-	-	-	-	-	-	
Intangible Assets		-	-	No	-	-	-	-	-	-	-	-	-	
Intangible assets under development		-	-	No	-	-	-	-	-	-	-	-	-	
Investments		-	-	No	-	-	-	-	-	-	-	-	-	
Loans		-	-	No	-	-	-	-	-	-	-	-	-	
Inventories		-	-	No	-	-	-	-	-	-	-	-	-	
Trade Receivables		-	-	No	-	-	-	-	-	-	-	-	-	
Cash and Cash Equivalents		-	-	No	-	-	-	-	-	-	-	-	-	
Bank balances other than Cash and Cash Equivalents		-	-	No	-	-	-	-	-	-	-	-	-	
Others		-	-	No	-	-	-	-	-	-	-	-	-	
Total		3,438.67	4,954.03				2,208.65		17,425.63	4,364.89			4,364.89	
LIABILITIES														
Debt securities to which this certificate pertains	Refer Note D of Annexure 1A	2,500.00	-	No	-	-	-	-	2,500.00	-	2,500.00	-	2,500.00	
Other debt sharing pari-passu charge with above debt		-	-	No	-	-	-	-	-	-	-	-	-	
Other Debt	Refer Note F of Annexure 1A	-	4,199.45	No	-	-	1,647.78	-	5,847.23	-	-	-	-	
Subordinated debt		-	-	No	-	-	3,782.25	-	3,782.25	-	-	-	-	
Others		14.14	16.63	No	-	-	25.89	-	56.66	-	14.14	-	14.14	
Total		2,514.14	4,216.08				3,808.14		12,186.14	2,514.14			2,514.14	
Cover on Book Value (No. of Times) ^{viii}	Exclusive security Cover Ratio (Refer Note E of Annexure 1A)	1.37												
Cover on Market Value (No. of Times) ^{viii}			1.37										1.74	

ⁱ Pertains to book value of assets having exclusive charge and outstanding book value of debt for which this certificate is issued.

ⁱⁱ Pertains to book value of assets having exclusive charge and outstanding book value of debt for which this certificate is issued.

ⁱⁱⁱ Pertains to debt for which this certificate is issued having any pari passu charge.

^{iv} Pertains to book value of assets having pari-passu charge b) outstanding book value of debt for which this certificate is issued and c), other debt sharing pari-passu charge along with debt for which certificate is issued.

^v Pertains to book value of all other assets having pari passu charge and outstanding book value of corresponding debt.

^{vi} Pertains to all those assets which are not charged and shall include all unsecured borrowings including subordinated debt and also include only those assets which are paid-for.

^{vii} Assets which are considered at Market Value like Land, Building, Residential/ Commercial Real Estate to be stated at Market Value. Other assets having charge to be stated at book value/Carrying Value.

^{viii} The market value has been calculated as per the total value of assets mentioned in Column O.

This Annexure is to be read in conjunction with Annexure 1A

For and on behalf of Varroc Engineering Limited

Ajay Kumar

Digitally signed by

Ajay Kumar Sharma

Date: 2024.08.07

17:11:24 +05'30'

Ajay Kumar Sharma

Group General Counsel and Company Secretary

Place:Pune

Date: August 07, 2024



Annexure 1A

Notes to Statement on Security Cover and book value of assets

All amounts in Rs' Million unless otherwise stated

A Details of book value of property, plant and equipment and capital work in progress for which this certificate is issued

Plant Name	Book Value as at June 30,2024	
	Property, Plant & Equipment	Capital Work in Progress
VEL-VII (Valves)	410.05	43.99
VEL-VII (Forgine)	329.32	0.15
VEL-III	1,141.85	34.62
VEL 4W Lighting Chakan	439.79	27.72
VEL 4W Lighting Bhamboli	1,011.19	-
	3,332.20	106.47

B Details of book value of assets exclusively secured against other Secured Debt

Plant Name	Book Value as at June 30, 2024		
	Property, Plant & Equipment ^	Right of Use Assets ^	Investment Property
VEL-I	267.09	1.26	-
VEL-Corp	673.68	33.95	-
VEL-V	765.95	46.68	-
VEL-VII (Valves)	185.82	73.14	-
VEL-VII (Forgine)	40.31	-	-
VEL-III	390.20	57.93	-
VEL-III (R&D)	268.22	-	-
VEL-II	248.93	31.71	-
VEL-IV	22.16	12.81	11.74
VEL-VIII	485.47	10.42	-
VEL-VI	290.68	-	-
VLS Chakan	21.07	-	-
VEL-Exhaust	31.99	-	-
VEL-Halol	183.95	-	-
VEL-Solar	123.80	-	-
VEL-PN	542.69	92.15	-
VEL-R&D Forgine	35.78	-	-
VEL- Bhamboli	4.44	-	-
	4,582.24	360.05	11.74

^ Note: This includes movable assets with book value of Rs. 211.40 million, debt related to which has been repaid as at June 30, 2024 and Company is in process of filing charge satisfaction documents with relevant regulatory authorities

C Details of market value of property, plant and equipment and capital work in progress for which this certificate is issued

Plant Code	Market Value as at June 30, 2024	
	Property, Plant & Equipment (#)	Capital Work in Progress (*)
VEL-VII (Valves)	666.56	43.99
VEL-VII (Forgine)	557.74	0.15
VEL-III	1,428.09	34.62
VEL 4W Lighting Chakan	1,501.86	27.72
VEL 4W Lighting Bhamboli	104.17	-
	4,258.42	106.47

Market values of Property, Plant and Equipment in respect of Plants VEL-VII (Valves Division), VEL-VII (Forging Division), VEL-III, VEL Chakan (Lighting plant), and VEL Bhamboli (Lighting Plant) have been obtained from the valuation report dated October 03, 2023 issued by an Independent Registered Valuer - Ompal Singh (Reg. No- IBB/RV/02/2021/13876) appointed by the Debenture Trustee.

* In respect of Capital Work in Progress of all plants, management believe that the market value is at least equal to the carrying value as at June 30, 2024.

D Details of Non-convertible debentures

ISIN	Facility	Type of charge	Outstanding amount as at June 30, 2024	Asset cover required as per Debenture Trust deed (No. of Times)	Date of issue of debentures
INE665L08014	Non-Convertible Debentures	Exclusive charge	2,500.00	1.10	September 07, 2023

E Computation of Security Cover Ratio as per the terms of the Placement Memorandum and Debenture Trust Deed for secured redeemable listed non-convertible debenture securities as at June 30, 2024

Particulars	Amounts (Rs. Million)
Debentures outstanding as at June 30, 2024 (including interest thereon) [A]	2,514
Book value of assets as per Table A above [B]	3,439
Security Cover Ratio [C = B/A]	1.37
Security Cover Ratio as per requirements of Trust Deed	1.10
Whether compliant?	Yes

F Other Secured debt consists:

a. Rs. 1041.67 million debt which is secured by hypothecation of certain movable assets of Varroc Polymers Limited, which is 100% subsidiary of the Company

G Assets disclosed in the Statement

The assets disclosed in the Statement pertain to only those assets on which charge is created against issue of secured redeemable non-convertible debentures or term loans obtained from banks/ financial institutions or working capital loans obtained from banks/ financial institutions. Assets other than these have not been disclosed in this Statement by the management.

H Liabilities disclosed in the Statement

The liabilities disclosed in the Statement pertain to the liabilities of secured redeemable non-convertible debentures, term loans from banks/ financial institutions and working capital loans from banks/ financial institutions, and interest accrued thereon. Liabilities other than these have not been disclosed in this Statement by the management

I Compliance with covenants

The Company is not required to test any financial covenants as at June 30, 2024. We hereby confirm that the Company is in compliance with all other covenants as applicable to the Company and as prescribed/ stipulated in the Debenture Trust Deed dated September 1, 2023 and further amendments thereto, as at June 30, 2024. The auditors have relied upon the above management representation in respect of compliance with covenants

For and on behalf of Varroc Engineering Limited

Ajay Kumar
Sharma

Digitally signed by Ajay
Kumar Sharma
Date: 2024.08.07 17:11:58
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Ajay Kumar Sharma
Group General Counsel and Company Secretary
Place:Pune
Date: August 07, 2024

